Exhibit 3

UHY Shafiq Umar Daraz & Co.
Chartered Accountants

DA AFGHANISTAN BANK

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED QAWS 30, 1399
(DECEMBER 20, 2020)

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UHY Shafiq Umar Daraz & Co
Chartered Accountants

INDEPENDENT AUDITOR'S REPORT TO THE SUPREME COUNCIL OF DA AFGHANISTAN BANK

Opinion

We have audited the consolidated financial statements of Da Afghanistan Bank (the Bank) and its Subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 30 Qaws 1399 (20 December 2020), and the consolidated statement of profit and loss, consolidated statement of other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material aspects, the financial position of the Group as at 20 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting framework as stated in note 2 to the consolidated financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *'Auditor's Responsibilities for the Audit of the Consolidated Financial Statements'* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to note 19.3 to the consolidated financial statements, which states that the Bank is not in compliance with Article 74 of the DAB law which requires the Bank to limit its foreign currency liabilities up to 50% of its unimpaired capital and reserves, which works out to be Afs 94,828.557 million as at 30 Qaws 1399 (20 December 2020). Foreign currency liabilities of the Bank as at the said date stand at Afs 142,305.073 million, resulting in foreign currency liabilities exceeding the prescribed limit by Afs 47,476.515 million as at the year end. Our opinion is not qualified in respect to this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in our audit
Accuracy of the Liability for "Currency in Circulation" As disclosed in notes 16 and 16.1 to the accompanying consolidated financial statements, currency in circulation represent the liability of the Bank towards bank notes issued as a legal tender under the Chapter IV Part 1 "Currency" of The Afghanistan Bank	We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls related to process for new notes, expansion and contraction of bank notes in circulation and cancellation of bank notes.

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Key Audit Matter	How the matter was addressed in our audit
Law" (the DAB Law) which comprise of 50% of the total liabilities of the Bank. In view of the significance of liability in relation to the consolidated financial statements of the Group and complexities in the underlying processes relating to issuance of new notes, expansion and contraction of bank notes in circulation and cancellation of bank notes, we have considered the existence and completeness of liability as a key audit matter. **Note: 16**	We analyzed the changes in the liability for bank notes in circulation during the year together with the underlying reports of banking and issue department. We considered the completeness of the liability by inspecting the year-end statement of affairs of the Issue Circles. Further, we performed cut-off procedures on expansion and contraction of bank notes to assess the completeness of the year-end balances of the liability. We considered the requirements of the DAB Law with regard to underlying assets backing the bank notes in circulation and tested its compliance with the relevant information provided by the Bank.
Balances with International Monetary Fund (IMF) As per the arrangement between the Bank and IMF, as Trustee of the Poverty Reduction and Growth Trust, the MoF has been granted an extended credit facility loan (ECF loan) equivalent to SDR 80.95 million for a period of ten years which is non-interest bearing. Liabilities with IMF represents around 0.62% of the total liabilities of the Bank. The valuation of liabilities with International Monetary Fund (IMF) was considered significant to our audit as that gives rise to foreign currency translation requirements and periodic interest accruals. **Note: 20, 20.1, 20.2 & 20.3.**	Our audit procedures to address the risks of material misstatement relating to liability with International Monetary Fund, included sending direct confirmation to IMF, checking the SDR amount from IMF website, and subsequently testing the exchange rates used to translate this amount at the closing date. In addition, our procedures included examination of relevant documents of IMF on SDR allocation during the year and re-computation to confirm the amount of liabilities with IMF using the prevailing conversion rate as per IAS 21.
Valuation of Gold Reserves The Bank maintains gold reserves equivalent to Afs. 101,770.256 million, which is one of the asset backing for Notes in Circulation. The valuation of the gold is carried out in line with the international market which is subject to market volatility and other external economic factors. Given the unique nature of the asset, the valuation methodology adopted and associated risks, it was considered significant to our audit. **Note: 6.7, 7 & 7.1.**	Our audit procedures included reviewing the valuation methodology adopted and received conformation letter from Federal Reserve Bank, New York (FRB) as the Bank's international reserve of gold. Our procedures also included recalculation of gold value in line with prevailing market rate and management's assessment of asset backing for Currency in Circulation.

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UHY Shafiq Umar Daraz & Co
Chartered Accountants

Key Audit Matter

Foreign Investments

The Bank's assets held in foreign investments amount to Afs 368,813.78 million (1398: 218,264.106 million), equivalent to 47 % (1398: 31%) of the Bank's total assets as summarized below as per note 9 to the Consolidated Financial Statements:

Type of security and mode of investment	Amount in million Afs
US treasury bonds and other securities – through International Bank for Reconstruction and Development (IBRD)	187,121
US treasury bonds – direct investment	4,149
US treasury bills	145,693
USD denominated Government Bonds, foreign currency swaps and other interest bearing securities – through Bank for International Settlements Investment Pool – A	30,417
Shares in ECOTDB	1,434

The valuation and presentation of the foreign investments in the consolidated financial statements pose significant audit risk.

In view of the significance of these investments in relation to the total assets, the variation in type of investments and their management (involvement of Fund Managers, Custodian and in-house team) we have considered "foreign investments" as key audit matter.

Note: 10.

How the matter was addressed in our audit

Our key procedures included the following:

For direct investments we obtained understanding of the processes, assessed the design and implementation and tested effectiveness of key controls throughout the year over recognition, de-recognition and valuation of investments and related revenue.

For all investments, we sent direct confirmations to counter-parties to confirm the balances of investment holdings and where relevant, performed physical verification of other investments.

For investment in US treasury Bonds, where valuation techniques with inputs based on observable market data were used, evaluating the appropriateness of the valuation methodologies and the reasonableness of the assumptions, and verifying the inputs to independent sources.

For investments through RAMP and BIS, where valuation techniques with inputs not based on observable market data were used, evaluating the appropriateness of the valuation methodologies and the reasonableness of the assumptions and inputs. We received and reviewed the valuations report for these securities.

For ECOTDB investments we verified the payments to the investee and reconciled the confirmations with the books of accounts.

Further, in respect of the all investment made through fund managers:

- We obtained Type 2 report from Custodian to assess that controls were suitably designed by custodian and operated effectively in respect of its activities.

- We obtained the monthly statement of changes in net assets provided by the Custodian used by management for recognizing income in respect of foreign currency securities and traced with the accounting records of the Bank to assess that they are accurately recorded.

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Key Audit Matter	How the matter was addressed in our audit
	- We performed substantive audit procedures on year-end balance of portfolio including evaluation of Fund Managers' and Custodian's statements, and re-performance of valuations on the basis of observable data at the year end. - We also evaluated the adequacy of the overall disclosures in the financial statements in respect of the investment portfolio in accordance with the requirements of applicable financial reporting framework.
Interest Income Interest income has significantly decreased by Afs 4,230.021 million (44.41%) although investment has increased by Afs 150,549.674 (68.98%). As disclosed in the consolidated note to the financial statement #26.1, for managing credit risk after Covid-19 pandemic, the Bank has liquidated some of its term deposits and placed these amounts in US treasury bills having lower credit risk resulting in lower interest income. **Note: 26 & 10.**	We recalculated interest income on investments and term deposits to ensure that it is correctly calculated. We checked the Monthly Holding Report provided by The World Bank to verify accrued interest income as at 20th December 2020. We also verified the interest / coupon rates and value of investment in RAMP from the same report. We checked the swift documents of treasury bonds and bills issued by the US Treasury to verify interest / coupon rates, dates and purchase price of these investments. We verified a sample of interest income on call accounts and overnight deposits from swift messages. Further, we performed cut-off procedures on interest income to assess the completeness of the income.

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Key Audit Matter	How the matter was addressed in our audit
Interest Expense Interest expense has significantly increased by Afs 487.283 million (278.20%). As disclosed in the consolidated note to the financial statement #27, during the year, interest expense on capital notes has significantly increased because carrying amount of capital notes increased from Afs 24,775.173 million to Afs 45,849.384 million and average interest rates on these notes has increased by more than double. **Note: 27.**	We recalculated interest expense on capital notes to ensure that interest expense is correctly recorded. We also verified interest rates and principle amount of capital notes from the supporting documents to confirm accuracy of the interest expense
Net loss from dealings in foreign currency Net gain from dealing in foreign currencies has decreased by Afs 21,164.019 million (101%). As disclosed in the consolidated note to the financial statement #28, During the year, Afghani appreciated against foreign currencies including US dollars. As a result, the Bank incurred loss on sale of those foreign currencies which were purchased at higher rates in previous years. **Note: 28.**	We obtained complete listings of transactions of foreign currency dealings and re-calculated exchange gain or loss on selected transactions. We checked supporting documents for sample of sale and purchase transactions of foreign currencies that resulted in exchange gain or loss.
IT systems and controls over financial reporting We identified IT systems and IT general controls over financial reporting as a key audit matter because of the pervasive nature and complexity of the IT environment, the extensive volume of transactions processed daily and the reliance of the Group's financial accounting and reporting process on IT systems and controls	Our audit approach relies on automated controls and therefore procedures were designed to test access and control over IT systems and changes to such systems. Given the specialized nature of this area of audit, we involved our specialist IT team to assist with our audit procedures. We: - Obtained an understanding of the IT governance over the Group's IT organization; - Identified the key IT Systems and application controls which were integral to the Group's financial reporting; - Evaluated the design, implementation and operating effectiveness of IT general controls covering change

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Key Audit Matter	How the matter was addressed in our audit
	management, access management and IT operations over in-scope systems and significant accounts-related IT automated controls which were critical to financial reporting; and - We tested the accuracy and completeness of key computer generated reports used in our audit.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statements line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	The Bank financial statements
Overall materiality	....	....
How we determined it	For Statements of Financial Position 1% of total assets, For Statements of Profit or Loss 5% of average Net Profit of last 3 years.	For Statements of Financial Position 1% of total assets, For Statements of Profit or Loss 5% of average Net Profit of last 3 years.
Rational for benchmark applied	DAB is the Central Bank of Afghanistan, mainly relies on its assets to operate and all of its procedures and policies revolve around maintaining assets in order to have higher returns from them. So, total assets selected as benchmark for materiality of statement of financial position and average net profit for statement of profit or loss as the net profit has significantly declined during the year.	

Performance materiality is the application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriate low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% of our planning materiality namely for group financial statements and for the separate financial statements of the Bank are;

- For statement of financial position Afs 5,854 million; and
- For statement of profit or loss Afs 786 million.

Other Information

In connection with our audit of the consolidated financial statements, we have been informed by the management that there is no other information that is attached by them along-with the consolidated financial statements and our auditor's report thereon. UHY

Responsibilities of Management and Those Charged with Governance for Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of consolidated financial statements in accordance with the accounting framework as stated in note 2 to the consolidated financial statements and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation. UHY

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entity to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonable be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulations precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequence of doing so would reasonable be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Umar Daraz.

UHY Shafiq Umar Daraz & Co

UHY Shafiq Umar Daraz & Co.
Chartered Accountants
Date: 18 March 2021
Kabul, Afghanistan

Shafiq Umar Daraz & Co Chartered Accountants ★ UHY

DA AFGHANISTAN BANK
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 QAWS 1399 (20 DECEMBER 2020)

	Note	30 Qaws 1399 (20 Dec 2020)	30 Qaws 1398 (21 Dec 2019)
		(Afs in '000')	
ASSETS			
Gold reserves	7	**101,770,256**	81,400,561
Foreign currency cash reserves	8	**34,167,341**	19,583,336
Due from banks and financial institutions	9	**254,677,074**	355,570,353
Investments	10	**368,813,780**	218,264,106
Assistance as lender of last resort	11	**170,154**	166,793
Advances and other receivables	12	**2,098,092**	1,710,370
Operating fixed assets	13	**5,299,483**	5,376,792
Intangible assets	14	**4,949**	23,268
Other assets	15	**13,535,171**	13,491,650
Total assets		**780,536,301**	695,587,229
LIABILITIES AND EQUITY			
LIABILITIES			
Currency in circulation	16	**293,341,380**	259,348,259
Capital notes	17	**45,849,384**	24,775,173
Due to banks and financial institutions	18	**100,079,198**	97,224,024
Due to customers	19	**144,323,269**	130,121,482
IMF related liabilities	20	**3,692,126**	3,003,600
Defined contribution obligation	21	**1,909,843**	1,769,903
Deferred grants	22	**83,098**	142,182
Provisions and other liabilities	23	**1,600,887**	14,479,909
Total liabilities		**590,879,185**	530,864,532
EQUITY			
Capital	24	**28,910,526**	25,398,034
Revaluation reserve	24	**103,427,178**	82,273,898
Other components of equity	24	**29,900,217**	31,652,731
General reserve	24	**27,419,195**	25,398,034
Accumulated profits	24	**-**	-
Total equity		**189,657,116**	164,722,697
Total liabilities and equity		**780,536,301**	695,587,229
CONTINGENCIES AND COMMITMENTS	25		

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The annexed notes 1 to 39 form an integral part of these financial statements.

Abdul Rahman Barhaq
Acting Chief Financial Officer

Ajmal Ahmady
Acting Governor

DA AFGHANISTAN BANK
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 30 QAWS 1399 (20 DECEMBER 2020)

	Note	30 Qaws 1399 (20 Dec 2020)	30 Qaws 1398 (21 Dec 2019)
		(Afs in '000')	
Interest income	26	**5,295,334**	9,525,355
Interest expense	27	**(662,438)**	(175,155)
Net interest income		**4,632,896**	9,350,200
Fee and commission income		**196,075**	235,884
Fee and commission expense		**(167,243)**	(141,207)
Net fee and commission income		**28,832**	94,677
Net (loss) / gain from dealings in foreign currencies	28	**(124,167)**	21,039,852
Net gain / (loss) on financial assets measured at FVOCI		**3,012,121**	2,239,367
Other income	29	**547,838**	807,632
		3,435,792	24,086,851
Operating income		**8,097,520**	33,531,728
Operating expenses			
Personnel expenses	30	**(1,738,150)**	(1,711,974)
Printing cost of bank notes	12.3	**(262,294)**	(280,924)
Other operating expenses	31	**(475,771)**	(515,426)
Depreciation and amortisation	13.2 & 14	**(87,652)**	(104,330)
Net operating income		**5,533,653**	30,919,074
Non-operating income and expenses:			
Deferred grants recognised as income	22	**59,084**	119,244
Expenditure against grants	32	**(59,084)**	(119,244)
		-	-
Net unrealised foreign exchange loss	24.3	**(1,752,514)**	(1,688,362)
Profit for the year		**3,781,139**	29,230,712

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The annexed notes 1 to 39 form an integral part of these financial statements.

Abdul Rahman Barhaq
Acting Chief Financial Officer

Ajmal Ahmady
Acting Governor

DA AFGHANISTAN BANK
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 QAWS 1399 (20 DECEMBER 2020)

	Note	30 Qaws 1399 (20 Dec 2020)	30 Qaws 1398 (21 Dec 2019)
		----------- (Afs in '000') -----------	
Cash flows from operating activities			
Profit for the year		**3,781,139**	29,230,712
Adjustments:			
Depreciation and amortisation	13.2	**87,652**	104,330
Interest income	26	**(5,295,334)**	(9,525,355)
Interest expense	27	**662,438**	175,155
Deferred grants recognised as income	22	**(59,084)**	(119,244)
Expenditure against grants	32	**59,084**	119,244
Recovery of expected credit loss	29	**(249,424)**	(407,700)
Inter-branch balances (written back) / written off		**(190,931)**	26,117
		(1,204,460)	19,603,259
Working capital adjustments:			
Decrease / (increase) in due from banks and financial institutions	9	**25,223,897**	140,790,268
Decrease / (increase) in assistance as lender of last resort	11	**(3,361)**	6,795,092
Decrease / (increase) in advances and other receivables	12	**(387,104)**	316,523
Decrease / (increase) in other assets	15	**5,563**	7,743
Increase / (decrease) in currency in circulation	16	**33,993,121**	31,292,681
Increase / (decrease) in due to banks and financial institutions	18	**2,855,174**	6,572,785
Increase / (decrease) in due to customers	19	**14,201,787**	(6,394,797)
Increase / (decrease) in IMF related liabilities	20	**688,526**	584,816
Increase / (decrease) in defined contribution obligation	21	**139,940**	123,870
Increase / (decrease) in provisions and other liabilities	23	**71,062**	634,225
		76,788,605	180,723,206
		75,584,145	200,326,465
Interest received		**5,256,214**	9,485,532
Interest paid		**(662,438)**	(175,155)
Grant received	22	**-**	12,365
Net cash flows from operating activities		**80,177,921**	209,649,207
Cash flows from investing activities			
Investments made during the year		**(149,766,379)**	(9,060,143)
Net long-term assets of the subsidiary		**-**	(4,362)
Purchase of property and equipment	13.2	**(57,973)**	(71,404)
Purchase of intangible assets	14	**(490)**	(2,157)
Net cash flows used in investing activities		**(149,824,842)**	(9,138,066)
Cash flows from financing activities			
Receipts from / (Repayments against) capital notes		**21,074,211**	(8,923,477)
Payments of profit to MoF		**(12,759,153)**	(23,989,159)
Net cash flows from / (used in) financing activities		**8,315,058**	(32,912,636)
Net (decrease) / increase in cash and cash equivalents		**(61,331,862)**	167,598,505
Cash and cash equivalents at beginning of the year		**295,985,397**	128,386,892
Cash and cash equivalents at end of the year	33	**234,653,535**	295,985,397

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The annexed notes 1 to 39 form an integral part of these financial statements.

Abdul Rahman Barhaq
Acting Chief Financial Officer

Ajmal Ahmady
Acting Governor

DA AFGHANISTAN BANK

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 QAWS 1399 (20 DECEMBER 2020)

	Note	30 Qaws 1399 (20 Dec 2020)	30 Qaws 1398 (21 Dec 2019)
		----------- (Afs in '000') -----------	
Profit for the year		**3,781,139**	29,230,712
Other comprehensive income			
Items that will be reclassified subsequently to the consolidated profit and loss account:			
Revaluation gain on gold reserve	7	**20,369,695**	15,221,968
Net gains from changes in fair value of debt instruments at FVOCI		**783,295**	2,057,359
Changes in allowances for expected credit loss of debt instruments at FVOCI		**290**	(1,317)
Other comprehensive income for the year		**21,153,280**	17,278,010
Total comprehensive income for the year		**24,934,419**	46,508,722

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The annexed notes 1 to 39 form an integral part of these financial statements.

Abdul Rahman Barhaq
Acting Chief Financial Officer

Ajmal Ahmady
Acting Governor

DA AFGHANISTAN BANK
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 QAWS 1399 (20 DECEMBER 2020)

		Revaluation reserve				Other components of equity					
	Capital	Net unrealised gain / (loss) on financial assets measured at fair value	Freehold land	Gold	Total revaluation reserve	Exchange translation reserve	Residual undistributed net unrealised valuation gains	Total other components of equity	General reserve	Accumulated profits	Grand total
	(Afs in '000')										
Balance at 30 Qaws 1397 (21 December 2018)	24,221,649	1,104,157	936,477	62,946,884	64,987,518	137	33,341,093	33,341,230	24,221,649	-	146,772,046
Impact of adopting IFRS 9	-	8,233	-	-	8,233	-	-	-	-	(809,218)	(800,985)
Balance at 01 Jadi 1397 (22 December 2018)	24,221,649	1,112,390	936,477	62,946,884	64,995,751	137	33,341,093	33,341,230	24,221,649	(809,218)	145,971,061
Total comprehensive income for the year:											
Profit for the year	-	-	-	-	-	-	-	-	-	29,230,712	29,230,712
Other comprehensive income:											
Net gains from changes in fair value of debt instruments at FVOCI	-	2,057,359	-	-	2,057,359	-	-	-	-	-	2,057,359
Change in allowances for expected credit loss of debt instruments at FVOCI	-	(1,317)	-	-	(1,317)	-	-	-	-	-	(1,317)
Revaluation gain on gold reserve	-	-	-	15,221,968	15,221,968	-	-	-	-	-	15,221,968
Total other comprehensive income	-	2,056,042	-	15,221,968	17,278,010	-	-	-	-	-	17,278,010
Total comprehensive income for the year	-	2,056,042	-	15,221,968	17,278,010	-	-	-	-	29,230,712	46,508,722
Transactions recorded directly in equity:											
Transferred to capital	1,176,385	-	-	-	-	-	-	-	-	(1,176,385)	-
Transferred to general reserve	-	-	-	-	-	-	-	-	1,176,385	(1,176,385)	-
Transferred to net unrealised gain on financial assets measured at FVOCI	-	137	-	-	137	(137)	-	(137)	-	-	-
Transferred to Ministry of Finance	-	-	-	-	-	-	-	-	-	(27,757,086)	(27,757,086)
Transferred to residual undistributed net unrealised valuation gains	-	-	-	-	-	-	(1,688,362)	(1,688,362)	-	1,688,362	-
Balance at 30 Qaws 1398 (21 December 2019)	25,398,034	3,168,569	936,477	78,168,852	82,273,898	-	31,652,731	31,652,731	25,398,034	-	164,722,697

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DA AFGHANISTAN BANK
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 QAWS 1399 (20 DECEMBER 2020)

		Revaluation reserve				Other components of equity					
	Capital	Net unrealised gain on financial assets measured at fair value through OCI	Freehold land	Gold	Total revaluation reserve	Exchange translation reserve	Residual undistributed net unrealised valuation gains	Total other components of equity	General reserve	Accumulated profits	Grand total
	(Afs in '000')										
Balance at 01 Jadi 1398 (22 December 2019)	25,398,034	3,168,569	936,477	78,168,852	82,273,898	-	31,652,731	31,652,731	25,398,034	-	164,722,697
Total comprehensive income for the year:											
Profit for the year	-	-	-	-	-	-	-	-	-	3,781,139	3,781,139
Other comprehensive income:											
Net gains from changes in fair value of debt instruments at FVOCI	-	783,295	-	-	783,295	-	-	-	-	-	783,295
Change in allowances for expected credit loss of debt instruments at FVOCI	-	290	-	-	290	-	-	-	-	-	290
Revaluation gain on gold reserve	-	-	-	20,369,695	20,369,695	-	-	-	-	-	20,369,695
Total other comprehensive income	-	783,585	-	20,369,695	21,153,280	-	-	-	-	-	21,153,280
Total comprehensive income for the year	-	783,585	-	20,369,695	21,153,280	-	-	-	-	3,781,139	24,934,419
Transactions recorded directly in equity:											
Transferred to capital	3,512,492	-	-	-	-	-	-	-	-	(3,512,492)	-
Transferred to general reserve	-	-	-	-	-	-	-	-	2,021,161	(2,021,161)	-
Transferred to residual net unrealised valuation gains	-	-	-	-	-	-	(1,752,514)	(1,752,514)	-	1,752,514	-
Balance at 30 Qaws 1399 (20 December 2020)	28,910,526	3,952,154	936,477	98,538,547	103,427,178	-	29,900,217	29,900,217	27,419,195	-	189,657,116

The annexed notes 1 to 39 form an integral part of these financial statements.

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Abdul Rahman Barhaq
Acting Chief Financial Officer

Ajmal Ahmady
Acting Governor

1. STATUS AND NATURE OF OPERATIONS

1.1 The Group comprises of Da Afghanistan Bank ("the Bank") as the "Parent entity" and Afghanistan Payments Systems (APS) as "the Subsidiary".

1.2 Da Afghanistan Bank is the Central Bank of Afghanistan and was originally established in 1318 (1939) in accordance with Article 12 of the 1311 (1932) Constitution of Afghanistan. The Bank was operating under the supervision of the Ministry of Finance (MoF), Government of Islamic Republic of Afghanistan. Subsequently, during the transitional government on 27 Sunbula 1382 (18 September 2003), Da Afghanistan Bank Law ("the DAB Law") of the Islamic Republic of Afghanistan was enacted and the Bank was re-established as an independent legal entity. This law and the change in the Bank's status were ratified by an amendment to Article 12 of the Constitution of the Islamic Republic of Afghanistan in Jadi 1382 (January 2004).

1.3 As per the DAB Law, the Bank's main objective is to achieve and maintain domestic price stability with other objectives to foster the liquidity, solvency and effective functioning of a stable market based financial system. The Bank also controls monetary and exchange policy, manages reserves and acts as a bank, advisor and fiscal agent to the Government of Islamic Republic of Afghanistan and other state governed bodies.

1.4 Registered office (Head Office) of the Bank is situated in Kabul. As at 30 Qaws 1399 (20 December 2020), the Bank operates with 48 (1398: 48) branches.

1.5 Details and activities of the Subsidiary of the Bank are as follows:

The Subsidiary was incorporated as a limited liability company and got registered with Afghanistan Investment Support Agency, now "Ministry of Commerce and Industry (MOCI)" on January 31, 2011 under license number D-37351. The Company has its registered office located at House No.29, Street 8, Lane 1 District 10, Kabul Afghanistan.

The Bank purchased 100% shares of APS w.e.f. 01 January 2019 (11 Jadi 1397).

The Subsidiary operates under the umbrella of Da Afghanistan Bank (DAB) as the national e-payment switch of Afghanistan. The Subsidiary shall provide support to establish an electronic fund transfer platform for shared Automated Teller Machines (ATMs), creation of shared mobile banking infrastructure and the initiation of point of sale devices. The Subsidiary has launched domestic card scheme (AfPay) with the support of the Bank to enhance and promote financial inclusion.

2. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), the requirements of the DAB Law and accounting policies for gold and silver, bank notes and coins as stated in notes 6.7 and 6.13 respectively. Where the requirements of the DAB Law and accounting policies adopted by the Group differ with requirements of IFRSs, the requirements of DAB Law and accounting policies adopted by the Group take precedence.

These consolidated financial statements comprise consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity and the accompanying notes.

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Year end of the Subsidiary is 31 December 2020 (10 Jadi 1399). During 21 December 2020 to 31 December 2020, no significant change in the financial statements of the Subsidiary occurred.

The compliance status of IFRSs is as follows:

	Compliance Status
IAS 1: Presentation of Financial Statements	Complied
IAS 2: Inventories	Complied
IAS 7: Statement of Cash Flows Complied	Complied
IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors	Complied
IAS 10: Events after the Reporting Period	Complied
IAS 12: Income Taxes	Complied
IAS 16: Property, Plant and Equipment	Complied
IAS 19: Employee Benefits	Not Applicable
IAS 20: Accounting for Government Grants and Disclosure of Government Assistance	Complied
IAS 21: The Effects of Changes in Foreign Exchange Rates	Complied
IAS 23: Borrowing Costs	Complied
IAS 24: Related Party Disclosures	Complied
IAS 26: Accounting and Reporting by Retirement Benefit Plans	Not Applicable
IAS 27: Separate Financial Statements	Complied
IAS 28: Investment in Associates and Joint Ventures	Not Applicable
IAS 32: Financial Instruments: Presentation	Complied
IAS 33: Earnings Per Share	Not Applicable
IAS 34: Interim Financial Reporting	Not Applicable
IAS 36: Impairment of Assets	Complied
IAS 37: Provisions, Contingent Liabilities and Contingent Assets	Complied
IAS 38: Intangible Assets	Complied
IAS 40: Investment Property	Not Applicable
IAS 41: Agriculture	Not Applicable
IFRS 1: First time Adoption of International Financial Reporting Standards	Not Applicable
IFRS 2: Share based Payment	Not Applicable
IFRS 3: Business Combinations	Complied
IFRS 4: Insurance Contracts	Not Applicable
IFRS 5: Non-current Assets Held for Sale and Discontinued Operations	Not Applicable
IFRS 6: Exploration for and Evaluation of Mineral Resources	Not Applicable
IFRS 7: Financial Instruments: Disclosures	Complied
IFRS 8: Operating Segments	Not Applicable
IFRS 9: Financial Instruments	Complied
IFRS 10: Consolidated Financial Statements	Complied
IFRS 11: Joint Arrangements	Not Applicable
IFRS 12: Disclosure of Interests in Other Entities	Complied
IFRS 13: Fair Value Measurement	Complied
IFRS 14: Regulatory Deferral Accounts	Not Applicable
IFRS 15: Revenue from Contract with Customers	Complied
IFRS 16: Leases	Not Applicable

IFRS 16 has not been applied as lease amount is not significant.

3. FUNCTIONAL AND PRESENTATION CURRENCY

These consolidated financial statements are presented in Afghani ('Afs'), which is the Group's functional and presentation currency.

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4. BASIS OF PREPARATION AND MEASUREMENT

These consolidated financial statements have been prepared on the historical cost convention, except for gold reserves, foreign currency cash reserves, some investments and few items of operating fixed assets as referred to in their respective notes which have been reported at revalued amounts.

5. New and amended standards and interpretations that are not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 21 December 2020 and earlier application is permitted; however, the Group has not early adopted the new and amended standards in preparing these consolidated financial statements.

The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

— Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37).
— COVID-19-Related Rent Concessions (Amendment to IFRS 16).
— Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
— Reference to Conceptual Framework (Amendments to IFRS 3).
— Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
— IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in preparation of these consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 30 Qaws 1399 (20 December 2020).

6.1 Foreign currency

Transactions in foreign currencies are translated into the functional currency of the Group at the spot exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purpose of retranslation as at 20 December 2020, the Afghani exchange rates used for the major currencies were:

	30 Qaws 1399 (20 Dec 2020)	30 Qaws 1398 (21 Dec 2019)
	----------- Afs	-----------
USD	**77.11**	78.41
EUR	**93.73**	86.90
GBP	**102.89**	101.80
PKR	**0.48**	0.50
SAR	**20.38**	20.84
AED	**20.92**	21.36
CAD	**43.35**	43.35
SDR	**111.34**	108.02

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Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in statement of profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised in consolidated statement of other comprehensive income, any exchange component of that gain or loss is also recognised in consolidated statement of other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in consolidated statement of profit or loss, any exchange component of that gain or loss is also recognised in consolidated statement of profit or loss.

6.2 Interest income and expense

Interest income and expense are recognised in consolidated statement of profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

6.3 Fees and commission income and expense

Fee and commission income and expenses that are integral to the financial asset or liability are included in the measurement of the effective interest rate.

Other fee and commission income, including account servicing fee, transfer commission, branch coordination commission are recognised as the related services are performed.

Other fee and commission expense relates mainly to transaction service fee and asset management services, which are expensed as the services are received.

6.4 Taxation

Under Article 118.2 of the DAB Law, the Bank is exempt from taxes on income or profits, personal property taxes on assets, taxes on transfer of funds and other financial transactions, stamp duties on issuance of securities and bank notes, customs duties, import duties, sales taxes, value added taxes on import of gold, bank notes and coins; and sales tax on domestic supply of gold, bank notes, and coins etc. Accordingly, no provision for income tax has been made in these consolidated financial statements.

6.5 Financial assets and financial liabilities

Financial instruments carried on the consolidated statement of financial statement include foreign currency cash reserves, due from banks and financial institutions, Investments, assistance as lender of last resort, advances and other receivables, other assets, currency in circulation, capital notes, due to banks and financial institutions, due to customers, IMF related liabilities, defined contribution obligation and accounts and provisions and other liabilities. The particular recognition and measurement methods adopted are disclosed in the individual policy statements associated with each consolidated financial instrument.

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6.5.1 Financial instruments – initial recognition

All financial assets are initially recognised on the trade date, i.e. the date at which the Group becomes a party to the contractual provisions of the instruments. This includes purchases or sale of financial assets that require delivery of asset within the time frame generally established by regulations in market conventions.

All financial assets and financial liabilities are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss where transaction cost is taken directly to the profit and loss account. Any difference between the fair value of consideration given and the amount determined using the valuation techniques detailed in note 6.5.14 is recognised in the consolidated statement of profit or loss.

6.5.2 Classification and subsequent measurement of financial assets and liabilities

The Group classifies all of its financial assets based on two criteria:

i) The Group's business model for managing the assets; and
ii) whether the instruments' contractual cash flows represent 'solely payments of principal and interest' (the 'SPPI test') on the principal amount outstanding, measured at either:

- Amortised cost, as explained in Note 6.5.3
- FVOCI, as explained in Notes 6.5.4 and 6.5.5
- FVPL as explained in Note 6.5.6

i) Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- the stated policies and objectives for the portfolio and the operation of those policies in
- how the performance of the portfolio is evaluated and reported to management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, managing the financial assets is achieved and how cash flows are realised; and
- financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, The Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

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ii) The SPPI test

As a second step of its classification process the Group assesses the contractual terms of financial to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. The most significant elements of 'interest' within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

The Group classifies and measures its derivative and trading portfolio at FVPL as explained in Notes 6.5.6 and 6.5.8. The Group may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies, as explained in Note 6.5.6.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied, as explained in Notes 6.5.6 and 6.5.8.

6.5.3 Financial assets at amortised cost

The Group classifies its financial assets at amortized cost only if both of the following conditions are met:

i) The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, these financial instruments are subsequently measured at amortized cost using the Effective interest Rate (EIR), less impairment (if any).

6.5.4 Debt instruments at FVOCI

The Group classifies its financial assets as debt instruments measured at FVOCI when both of:

i) The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These instruments largely comprise assets that had previously been classified as financial investments available-for-sale under IAS 39.

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FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in consolidated profit or loss statement in the same manner as for financial assets measured at amortised cost as explained in Note 6.5.3.

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the consolidated statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to the consolidated statement of profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

6.5.5 Equity instruments at FVOCI

Upon initial recognition, the Group elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of 'Equity' under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

6.5.6 Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

i) The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis, or
ii) The liabilities are part of a group of financial liabilities (or financial assets, or both under IAS 39), which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, or

iii) The liabilities containing one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

Financial assets and financial liabilities at FVPL are recorded in the consolidated statement of financial position at fair value. Changes in fair value are recorded in profit and loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument. Interest earnt on assets mandatorily required to be measured at FVPL is recorded using contractual interest rate.

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6.5.7 Financial liabilities at amortised cost

Financial liabilities with a fixed maturity are measured at amortised cost using the effective interest rate. These include currency in circulation, capital notes, due to banks and financial institutions, due to customers, IMF related liabilities, defined contribution obligation and provisions and other liabilities.

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the consolidated statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to the consolidated statement of profit or loss. The accumulated loss recognised in OCI is recycled to the profit or loss upon derecognition of the assets.

6.5.8 Derivative financial instruments

The Group uses derivative financial instruments which include forwards, futures and swaps. Derivatives are initially recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Derivatives are re-measured to fair value on subsequent reporting dates. The resultant gains or losses from derivatives are included in the consolidated statement of profit or loss.

6.5.9 Derecognition of financial assets and financial liabilities

i) *Financial assets*
The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the rights to receive contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risk and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and consideration received (including any new asset obtained less any new liability assumed). Also all cumulative gain or loss that had been recognised in the other comprehensive income, is recognised in the consolidated statement of profit or loss. Any interest in the transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

ii) *Financial liabilities*
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of new liability, and the difference in the respective carrying amount is recognised in the consolidated statement of profit or loss.

6.5.10 Impairment of financial assets

Overview of the ECL principles
The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss (LTECL), unless there has been no significant increase in credit risk since origin, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Group's policies for determining if there has been a significant increase in credit risk are set out in Note 36.1.

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The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the financial assets are grouped into Stage 1, Stage 2 and Stage 3 as described below:

i) Stage 1: When financial assets are first recognised, the Group recognises an allowance based on 12mECLs. Stage 1 assets also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

ii) Stage 2: When a financial asset has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. Stage 2 assets also include facilities, where the credit risk has improved and the asset has been reclassified from Stage 3.

iii) Stage 3: Financial assets considered credit-impaired (as outlined in Note 36.1.1). The Group records an allowance for the LTECLs.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial assets.

The calculation of ECLs
The Group calculates ECLs based on a three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

The Probability of Default (PD) is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PDs is further explained in Note 36.1.2.

The Exposure at Default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The EAD is further explained in Note 36.1.2.

The Loss Given Default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The LGD is further explained in Note 36.1.2.

The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Group has the legal right to call it earlier.

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The mechanics of the ECL method are summarised below:

Stage 1
The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above.

Stage 2
When a financial assets has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3
For financial assets considered credit-impaired (as defined in Note 36.1.1), the Group recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

Financial guarantee contracts
The Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision. For this purpose, the Group estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighing of the three scenarios. The ECLs related to financial guarantee contracts are recognised within provisions.

6.5.11 Forward looking information

The Group formulates a base case view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios and consideration of a variety of external actual and forecast information. This process involves developing three different economic scenarios, which represent a range of scenarios linked to GDP growth and CPI.

6.5.12 Credit Enhancements: Collateral valuation and financial guarantees

To mitigate its credit risks on financial assets, the Group seeks to use collateral. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees and demand promissory notes. To the extent possible, the Group uses active market data for valuing financial assets held as collateral.

6.5.13 Offsetting

Financial assets and financial liabilities are offset and a net amount is presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions.

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6.5.14 Amortised cost measurement

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

6.5.15 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participant would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in consolidated statement of profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is wholly supported by observable market data or transaction is closed out.

If an asset or liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolio of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis that the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell on a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of deposits is not less than the amount payable, discounted from the first date on which the amount could be required to be paid.

The Group recognizes transfers between levels of fair value hierarchy as of the end of the reporting period during which the change has occurred.

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6.6 Cash and cash equivalents

Cash and cash equivalents include foreign currency cash on hand and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

6.7 Gold

6.7.1 Gold held as reserve

Refined gold held as foreign reserve is recorded at fair value at the consolidated statement of financial position date. Fair price is determined by reference to the London Bullion Market Association (LBMA) fixings at a discount of USD 2.25 per troy ounce (1398: USD 2.25 per troy ounce). Fair value and foreign exchange changes in gold are taken to revaluation reserve account.

6.7.2 Gold at Bank vault

Non-refined gold and silver held at the Group's vault are stated at cost less impairment (if any), and are included in other assets.

6.8 Property and equipment

Property and equipment, other than free-hold land (which is not depreciated), are stated at cost or revalued amount less accumulated depreciation and accumulated impairment losses, if any. Land is carried at revalued amount less impairment losses, if any.

Subsequent costs are included in an asset's carrying amount or recognised as a separate asset as appropriate, only when it is probable that future benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss as and when incurred.

Depreciation is calculated by the Group using the straight line method which writes down the cost of assets to their residual values over the estimated useful lives. Depreciation is charged from the date when the asset is available for use and no depreciation is charged from the date when the asset is disposed off. The estimated useful lives for the current and comparative periods are as follows:

	1399 (2020)	**1398 (2019)**
Buildings	**40 years**	40 years
Furniture and fixtures	**5 to 10 years**	5 to 10 years
Motor vehicles	**5 years**	5 years
IT and office equipment	**3 to 10 years**	3 to 10 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each reporting date.

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Land and buildings are revalued by professionally qualified valuers with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation is credited to the revaluation reserve account. Any deficit arising on subsequent revaluation of fixed assets is adjusted against the balance in the above-mentioned surplus account. The surplus on revaluation of fixed assets, to the extent of incremental depreciation, is transferred to retained earnings.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the assets is recognised in the consolidated statement of profit or loss in the year when asset is derecognised.

6.9 Intangible assets

Banking software acquired by the Group is stated at cost less accumulated amortization and accumulated impairment losses, if any.

Subsequent expenditure on software is capitalised only when it is expected to increase the future economic benefits embodied in the specific asset to which it relates. All other expenditures are expensed as incurred.

Software is amortised on a straight-line basis in consolidated statement of profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of a software for the current period is three years while for comparative periods useful life was five years.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

6.10 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each consolidated statement of financial position date and are adjusted to reflect the current best estimate.

6.11 Financial guarantees

'Financial guarantees' are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Liabilities arising from financial guarantee are initially measured at fair value and the initial fair value is amortised over the life of the guarantee. The liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment to settle the liability when a payment under the contract has become probable.

6.12 Bank notes and coins

Bank notes and coins in circulation represent a demand liability of the Group when issued from the vaults and are recorded in the consolidated statement of financial position at their face value. Expenses on bank notes and coins in circulations include expenses on security, transportation, insurance and other expenses. Expenses on bank notes and coins in circulation are recognised as and when they are incurred. Any un-issued currency notes and coins lying at the presidential palace are not reflected in these financial statements.

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6.13 Employee benefits

6.13.1 Defined contribution obligation

In 2016, the Group has introduced an unfunded contribution scheme and operates it for all of its permanent employees. Monthly contributions are made both by the Group and the employees at 8% of employees' basic salary.

6.13.2 Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes the costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then these benefits are discounted.

6.13.3 Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

6.14 Grants

Grants are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all the required conditions attached to it.

Grants for property and equipment are recorded as deferred grants in the consolidated statement of financial position and recognised income on a systematic basis over the useful life of assets acquired from the grant.

6.15 Deferred cost

The cost of printing of currency is recognised as a deferred expense in other assets. The cost is amortised in the consolidated statement of profit or loss when the printed currency is issued for circulation.

6.16 Allocation of net profit

According to Article 29 of the DAB Law, if the Bank has a net profit for any financial year, it shall be allocated in the following order of priority:

1) to increase the capital to a level equivalent to 5% of the aggregate amount of monetary liabilities at the end of the financial year.

2) to redeem the securities issued by the State to the Bank pursuant to Article 31.

3) to the General Reserve maintained by the Bank to a level equivalent to the amount of capital of the Bank.

4) to any other reserve for specific purposes established by the Bank subject to the approval of the MoF.

5) any residual net profit remaining after the preceding allocations shall be allocated in accordance with the following:

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- the preceding allocations from net profit shall be calculated as if made from net operating revenues, except that, if no operating revenues are included in net profit or after the preceding allocations have exhausted net operating revenues included in net profit, such allocations shall be calculated as if made from net unrealized valuation gains;

- any residual net operating revenues shall be transferred to the State within four months after the end of the financial year; and

- residual net unrealized valuation gains if any shall be allocated to a Valuation Reserve Account maintained on the balance sheet of the Bank.

6.17 Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are given below:

- Useful lives and valuation of property and equipment; and	Note 6.8
- Provision for impairment.	Note 6.10

	Note	30 Qaws 1399 (20 Dec 2020)	30 Qaws 1398 (21 Dec 2019)
		(Afs in '000')	
7. GOLD RESERVES			
Balance at beginning of the year		**81,400,561**	66,178,591
Gain on revaluation		**22,089,910**	11,637,505
Exchange (loss) / gain		**(1,720,215)**	3,584,465
Balance at end of the year	7.1	**101,770,256**	81,400,561

7.1 This represents 703,004.944 fine troy ounces (1398:703,004.944 fine troy ounces) of gold in bar form held at Federal Reserve Bank (FRB), New York as the Bank's international reserve.

As per FRB, these bars meet the minimum LBMA (London Bullion Market Association) LGD (London Gold Delivery) standards for quality (995.0 parts per thousand) but do not comply with the requirements for dimension (top surface: 255 x 81 millimeters; bottom surface: 236 x 37 millimeters; thickness: 37 millimeters). In addition, some of these bars present imperfections such as surface roughness, cracks, fissures and holes which are considered unacceptable by the LBMA.

Accordingly, the Bank has obtained an advice for the estimate of discount to the LBMA rate of USD 1,879.75 per troy ounce (1398: USD 1,479.00 per troy ounce) from the Bank for International Settlements (BIS), Switzerland, which has suggested a discount of USD 2.25 per troy ounce (1398: USD 2.25 per troy ounce) to the LBMA rate. Accordingly, the Bank has valued the gold reserves at USD 1,877.5 per troy ounce (1398: USD 1,476.75 per troy ounce) using a discount of USD 2.25 per troy ounce (1398: USD 2.25 per troy ounce) to LBMA rate as at the reporting date.

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	Note	30 Qaws 1399 (20 Dec 2020)	30 Qaws 1398 (21 Dec 2019)
		----------- (Afs in '000') -----------	
8. FOREIGN CURRENCY CASH RESERVES			
Cash at head office		**18,570,911**	18,570,911
Cash at branches		**15,596,430**	1,012,425
	8.1	**34,167,341**	19,583,336

8.1 Foreign currency profile

USD	**32,967,164**	19,092,139
Euro	**1,076,948**	365,347
GBP	**6,363**	6,296
PKR	**144**	151
AED	**2,092**	2,136
SAR	**114,630**	117,267
	34,167,341	19,583,336

8.2 This represents cash held by the Bank in foreign currency at the Presidential palace, the Head office and its branches.

	Note	30 Qaws 1399 (20 Dec 2020)	30 Qaws 1398 (21 Dec 2019)
		----------- (Afs in '000') -----------	
9. DUE FROM BANKS AND FINANCIAL INSTITUTIONS			
At amortised cost			
Term deposits with foreign banks	9.1	**168,905,679**	301,434,893
Current accounts with foreign banks		**29,408,353**	45,776,760
Overnight deposits with foreign banks	9.2	**56,490,207**	8,734,962
		254,804,239	355,946,615
Expected credit losses	9.3	**(127,165)**	(376,262)
		254,677,074	355,570,353

9.1 These carry interest rates ranging between -0.67% to 0.65% per annum (1398: -0.04% to 2.95% per annum) having maturity ranging from December 2020 to August 2021 (1398: December 2019 to October 2020).

9.2 These represent overnight deposits carrying interest rate at the rate of 0.01% per annum (1398: 0.03% per annum).

9.3 An analysis of changes in the ECL allowances in relation to foreign currency accounts of the Group measured at amortized cost is as follows:

	(Afs in '000')
Level 2	
Opening balance as at 21 December 2018 (30 Qaws 1397)	-
Impact of IFRS 9	800,647
Expected credit losses as at 22 December 2018 (1 Jadi 1397)	800,647
Impact during the year	(424,386)
Balance as at 21 December 2019 (30 Qaws 1398)	376,261
Expected credit losses as at 22 December 2019 (1 Jadi 1398)	**376,261**
Impact during the year	**(249,096)**
Balance as at 20 December 2020 (30 Qaws 1399)	**127,165**

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	Note	30 Qaws 1399 (20 Dec 2020)	30 Qaws 1398 (21 Dec 2019)
		(Afs in '000')	
10. INVESTMENTS			
Investments measured at FVOCI			
US treasury bonds and other securities	*10.1*	**187,120,796**	182,929,450
US treasury bonds	*10.2*	**4,149,044**	4,075,418
US Treasury Bills	*10.3*	**145,693,372**	-
Bank for International Settlements Investment Pool - A	*10.4*	**30,416,640**	29,825,310
		367,379,852	216,830,178
Equity instruments at FVOCI			
Shares in ECOTDB	*10.5*	**1,433,928**	1,433,928
		368,813,780	218,264,106

10.1 The Group has entered into an investment management and consulting agreement with the International Bank for Reconstruction and Development (IBRD), an organisation of the World Bank Group, for Reserves Advisory Management Program (RAMP). The IBRD has placed the funds in government securities, European federal agency securities and deposit accounts maintained with the Federal Reserve Bank of New York (FRB). This portfolio of investments carries return at rates ranging between 0.13% to 3.35% per annum (1398: 1.38% to 3.13% per annum).

10.2 The Group has made investment in US treasury bonds held at the Federal Reserve Bank of New York (FRB). These carry interest rates ranging between 0.13% to 2.50% (1398: 1.375% to 2.750%) per annum. These securities have an aggregate face value of Afs.4,048 million (1398: Afs. 4,038 million).

10.3 The Group has made investment in US treasury bills held at the Federal Reserve Bank of New York (FRB). These carry interest rates ranging between 0.06% to 0.12% per annum. These securities have an aggregate face value of Afs.1,890 million (1398: Afs: Nil). During the year, the Bank liquidated some of the term deposits to invest these amounts in US treasury bills to manage the credit risk due to COVID-19 impact.

10.4 The Group holds units of Bank for International Settlements Investment Pool A" (BISIP-A) through an asset management agreement, which has investments in USD denominated Government Bonds, foreign currency swaps and other interest bearing securities. The total units held by the Group at the reporting date were 2,637,453 (1398: 2,637,453) having market value of USD 149.57 (1398: 144.22) per unit.

10.5 The Group holds shares in the Economic Cooperation Organization Trade and Development Bank (ECOTDB), Istanbul, Turkey. As per the agreement, the Group is required to subscribe 500 shares, out of which 350 shares are callable. As of the year end, the Group has subscribed 150 (1398: 150) shares.

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10.6 An analysis of changes in the ECL allowances in relation to investments of the Group is as follows:

	Note	Investments measured at amortised cost	Investment in Debt instruments measured at FVOCI
		----------- (Afs in '000') -----------	
Level 1			
Opening balance as at 21 December 2018 (30 Qaws 1397)		-	-
Impact of IFRS 9		338	8,233
Expected credit losses as at 22 December 2018 (1 Jadi 1397)		338	8,233
Expected credit losses		(338)	(1,317)
Balance as at 21 December 2019 (30 Qaws 1398)		-	6,916
Opening balance as at 22 December 2019 (30 Qaws 1398)		-	**6,916**
Expected credit losses		-	**290**
Balance as at 20 December 2020 (30 Qaws 1399)		-	**7,206**

	Note	30 Qaws 1399 (20 Dec 2020)	30 Qaws 1398 (21 Dec 2019)
		----------- (Afs in '000') -----------	
11. ASSISTANCE AS LENDER OF LAST RESORT			
Assistance as lender of last resort to Kabul Bank	11.1	**170,154**	166,793

11.1 This represents the amount paid to Kabul Bank as a lender of last resort ("LoLR") under Article 86 of the DAB Law.

On 21 Hamal 1390 (10 April 2011), the Bank signed a Promissory Note and Agreement ("PNA") with the Ministry of Finance ("MoF"), Government of Islamic Republic of Afghanistan, wherein MoF agreed to underwrite cost of LoLR facilities to Kabul Bank amounting to Afs.37,620 million (USD 825 million), which was subject to adjustments due to payments of claims against Kabul Bank in receivership. The repayment is subject to other conditions, as mentioned in the PNA, including assignment of claims of the Bank against Kabul Bank to MoF. As per the terms of repayment the entire amount was required to be paid to the Bank in 8 years in 32 quarterly increasing installments beginning from the end of first quarter of 1390.

This carries interest at the annual rate of 2% compounded quarterly on outstanding balance. The terms of repayment schedule under PNA were revised in 1399, wherein the end date of repayment period was extended from 1398 (21 December 2019) to the end of 1400 (20 Dec 2021). The movement in this balance during the year is as follows:

	Note	30 Qaws 1399 (20 Dec 2020)	30 Qaws 1398 (21 Dec 2019)
		----------- (Afs in '000') -----------	
Opening balance		**166,793**	6,961,885
Add: interest charged for the year		**3,361**	95,782
Add: unwinding of discount on LoLR	11.2	-	209,126
Less: recoveries during the year from MoF		-	(7,100,000)
Closing balance		**170,154**	166,793

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11.2 In 1396, the Bank has used risk free interest rate of 6.67% to amortize the outstanding amount under PNA. During the year, based on the fact that the outstanding amount has reduced significantly and will be settled in 1400 under PNA, the management has not revised the interest rate to unwind the discount. The management of the Bank believes that it will not have material impact on the financial statements.

The balance amount of Afs 170.154 million (1398: Afs 166.793 million) will be received as soon as the national budget of Islamic Republic of Afghanistan will be approved by the Government for the year 1400.

12. ADVANCES AND OTHER RECEIVABLES

	Note	30 Qaws 1399 (20 Dec 2020)	30 Qaws 1398 (21 Dec 2019)
		(Afs in '000')	
Loans to staff	*12.1*	**1,215,346**	603,394
Afghanistan Deposit Protection Fund	*12.2*	**500,000**	500,000
Deferred cost on unissued currency	*12.3*	**230,762**	493,056
Other receivables from employees	*12.4*	**191,069**	149,960
Others		**129,369**	133,032
		2,266,546	1,879,442
Expected credit losses	*12.5*	**(168,454)**	(169,072)
		2,098,092	1,710,370

12.1 This represent loans provided to employees of the Bank for housing, marriage and general purposes. These loans are interest free and are repayable on monthly basis over a period ranging from 1 to 15 years (1398: 1 to 15 years). These loans are secured against staff defined contribution obligation and personal guarantee of the employees of the Bank.

12.2 This represents contribution of the Bank for Afghanistan Deposit Protection Fund (ADPF).The Group contributed a sum of Afs. 500 million being its share in the initial capital of ADPF in the year 2009. Since then, the Group, on behalf of ADPF, has been collecting insurance premium from commercial banks at a certain rate based on their customer deposits (other than inter-bank deposits) and the same is deposited into ADPF's bank account held with the Bank. The salaries of staff and rent expense pertaining to ADPF are also currently being borne by the Group. ADPF has not been incorporated yet as a separate legal entity, as the relevant amendment in the DAB Law has not yet been approved by the Parliament.

12.3 This represents deferred cost incurred in respect of printing of currency. This cost is amortised as an expense in the consolidated statement of profit or loss when the printed currency is issued into circulation. The movement in this balance is as follows:

	Note	30 Qaws 1399 (20 Dec 2020)	30 Qaws 1398 (21 Dec 2019)
		(Afs in '000')	
Balance as at beginning of the year		**493,056**	773,980
Less: amortisation of cost during the year		**(262,294)**	(280,924)
Balance as at end of the year		**230,762**	493,056

12.4 This represents advances and receivables on account of misappropriation of cash by the Group's employees in prior years which are fully provided.

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12.5 Expected credit losses

An analysis of changes in the ECL allowances in relation to trade receivables of the Group measured at amortized cost is as follows:

	Note	30 Qaws 1399 (20 Dec 2020)	30 Qaws 1398 (21 Dec 2019)
		----------- (Afs in '000')	-----------
Balance as at the beginning of the year		**169,072**	150,731
(Recovery of ECL) / impairment during the year		**(618)**	18,341
Balance as at the end of the year		**168,454**	169,072

13. OPERATING FIXED ASSETS

	Note		
Capital work in progress	*13.1*	**24,072**	6,664
Property and equipment	*13.2*	**5,275,411**	5,370,129
		5,299,483	5,376,793

13.1 Capital work in progress

	Civil Works (Afs in '000')
Balance as at 21 December 2018	9,925
Capital expenditure incurred / advances made during the year	-
Transfer to operating fixed assets	(3,261)
Balance as at 21 December 2019	**6,664**
Capital expenditure incurred / advances made during the year	17,408
Transfer to operating fixed assets	-
Balance as at 20 December 2020	**24,072**

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13.2 Property and equipment

	Note	Land	Buildings	Furniture and fixtures	Motor vehicles	IT and office equipment	Total
		(Afs in '000')					
Balance as at 01 Jadi 1397 (22 December 2018)		4,303,486	893,251	132,792	195,444	901,873	6,426,846
Additions		-	10,679	1,308	-	59,417	71,404
Transfer from Capital Work In Progress		-	3,261	-	-	-	3,261
Adjustments		1,699	(3,845)	(61,232)	41,481	14,783	(7,114)
Disposal		-	-	(842)	-	(20,465)	(21,307)
Balance as at 30 Qaws 1398 (21 December 2019)		4,305,185	903,346	72,026	236,925	955,608	6,473,090
Balance as at 01 Jadi 1398 (22 December 2019)		**4,305,185**	**903,346**	**72,027**	**236,927**	**955,608**	**6,473,090**
Additions		-	**7,403**	**1,439**	**5,307**	**26,416**	**40,565**
Adjustments / write offs		-	-	**417**	**(46)**	**(9,115)**	**(8,744)**
Disposals		-	-	**(427)**	**(1,065)**	**(5,202)**	**(6,694)**
Balance as at 30 Qaws 1399 (20 December 2020)		**4,305,185**	**910,749**	**73,456**	**241,123**	**967,707**	**6,498,217**
Depreciation							
Balance as at 01 Jadi 1397 (22 December 2018)		-	110,544	46,295	152,051	660,571	969,461
Charge for the year		-	22,549	4,230	21,300	107,717	155,795
Adjustments		-	-	-	-	(3,138)	(3,138)
Disposals		-	-	(764)	-	(18,393)	(19,157)
Balance as at 30 Qaws 1398 (21 December 2019)		-	133,093	49,761	173,351	746,757	1,102,962
Balance as at 01 Jadi 1398 (22 December 2019)		-	**133,093**	**49,761**	**173,351**	**746,757**	**1,102,962**
Charge for the year		-	**22,769**	**3,175**	**9,956**	**92,027**	**127,927**
Adjustments / write offs		-	-	**(126)**	-	**(1,633)**	**(1,759)**
Disposals		-	-	**(409)**	**(1,065)**	**(4,850)**	**(6,324)**
Balance as at 30 Qaws 1399 (20 December 2020)		-	**155,862**	**52,401**	**182,242**	**832,301**	**1,222,806**
NBV as at 30 Qaws 1398 (21 December 2019)		4,305,185	770,253	22,265	63,574	208,851	5,370,129
NBV as at 30 Qaws 1399 (20 December 2020)		**4,305,185**	**754,887**	**21,055**	**58,881**	**135,406**	**5,275,411**

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13.2.1 Land and buildings were revalued as at 30 Hoot 1389 by independent property dealer, M/S Pamir Property Dealer, a valuation expert having knowledge and experience in the location and category of property, on the basis of market values. The resulting impact from the revaluation exercise was recorded under revaluation reserve in the consolidated statement of changes in equity. The management is of the view that there are no significant changes in the value of land and building from last revaluation.

13.2.2 Land and buildings include properties having cost of Afs 106.557 million (1398: Afs 106.557 million) which have been transferred to the Group by different ministries, however, the title to these properties has not yet been transferred in the name of the Group. Further, properties having cost of Afs 51.864 million (1398: Afs 51.864 million) are disputed, mainly due to title / possession issues and are under review by the court of law.

13.2.3 Had no revaluation been carried out, the carrying amount of the land and buildings that would have been recognised in these financial statements is as under:

	30 Qaws 1399 (20 December 2020)		30 Qaws 1398 (21 December 2019)	
	--------- (Afs in '000') ---------		--------- (Afs in '000') ---------	
	Land	**Buildings**	**Land**	**Buildings**
Cost	**3,368,708**	**1,155,785**	3,368,708	1,148,382
Accumulated depreciation	**-**	**(245,526)**	-	(216,468)
Carrying amount	**3,368,708**	**910,259**	3,368,708	931,914

13.2.4 Allocation of depreciation

	30 Qaws 1399 (20 Dec 2020)	30 Qaws 1398 (21 Dec 2019)
	--------- (Afs in '000) ---------	
Depreciation charged for the year	**127,927**	155,796
Less: Amount classified under grant expense	**(44,347)**	(99,318)
	83,580	56,478

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	Note	30 Qaws 1399 (20 Dec 2020)	30 Qaws 1398 (21 Dec 2019)
		----------- (Afs in '000') -----------	
14. INTANGIBLE ASSETS			
Cost			
Balance as at beginning of the year		**341,654**	339,497
Additions		**490**	2,157
		342,144	341,654
Amortisation			
Balance as at beginning of the year		**318,386**	250,608
Charge for the year		**18,810**	67,778
		337,196	318,386
NBV as at end of the year		**4,949**	23,268

15. OTHER ASSETS

	Note	30 Qaws 1399 (20 Dec 2020)	30 Qaws 1398 (21 Dec 2019)
Non-monetary gold bullion and bars		**5,861,728**	5,861,728
Non-monetary silver		**6,711,255**	6,711,255
	15.1	**12,572,983**	12,572,983
Accrued interest on investments measured at FVOCI	*10.2*	**940,734**	901,617
Cash and bank balances held by the Subsidiary		**4,461**	1,849
Inter-branch accounts		**1,661**	-
Others		**15,332**	15,201
		13,535,171	13,491,650

15.1 These represent the gold bullion and bars and silver coins held in the Bank's vault at the Presidential Palace. Under a Memorandum of Understanding ("MoU") agreed between the Bank and the Ministry of Finance (MoF) in the year 1383, the Bank has been granted clear title to all the gold bullion and bars, as well as certain gold and silver coins, asserted to be owned by the Bank and physically located in the Presidential Palace vault.

	Note	30 Qaws 1399 (20 Dec 2020)	30 Qaws 1398 (21 Dec 2019)
		----------- (Afs in '000') -----------	
16. CURRENCY IN CIRCULATION			
Coins		**617,400**	548,400
Bank notes		**306,674,598**	273,474,598
		307,291,998	274,022,998
Bank notes and coins held by the Bank		**(13,950,618)**	(14,674,739)
	16.1	**293,341,380**	259,348,259

16.1 The liability for coins & bank notes issued by the Da Afghanistan Bank is recorded at its face value.

	Note	30 Qaws 1399 (20 Dec 2020)	30 Qaws 1398 (21 Dec 2019)
		----------- (Afs in '000') -----------	
17. CAPITAL NOTES			
Face value		**46,400,000**	24,905,000
Un-amortised discount		**(550,616)**	(129,827)
	17.1 & 17.2	**45,849,384**	24,775,173

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17.1 These represent debt instruments issued by the Bank to the licensed commercial banks and licensed money changers. These instruments have maturity between 7 days to 364 days (1398: 7 to 364 days) and are freely transferable between licensed commercial banks, licensed money changers and the Bank.

17.2 These notes carry interest rates ranging between 1.49% to 3.8% per annum (1398: 0.15% to 2.20% per annum).

18. DUE TO BANKS AND FINANCIAL INSTITUTIONS

	Note	30 Qaws 1399 (20 Dec 2020)	30 Qaws 1398 (21 Dec 2019)
		----------- (Afs in '000') -----------	
Foreign currency:			
Current accounts		**36,856,040**	29,817,126
Required reserve balance	*18.1*	**17,350,088**	17,200,085
Frozen account	*18.2*	**385,525**	392,042
		54,591,653	47,409,253
Local currency:			
Current accounts		**28,245,193**	29,510,518
Required reserve balance	*18.1*	**7,314,977**	5,734,431
Overnight deposits	*18.3*	**9,927,375**	14,569,822
		45,487,545	49,814,771
		100,079,198	97,224,024

18.1 This represents interest free reserve balances maintained by the commercial banks with the Bank in accordance with the requirements of Article 64 of the DAB Law for local currency and circular no. 3967 dated 07 Sunbula 1396 (29 August 2017) issued by DAB for foreign currency.

18.2 This represents balance due to a commercial bank which was withheld by the Bank on instructions of the Financial Supervision department.

18.3 These are placed by local banks and carry interest at the rate of 0.1% per annum (1398: 0.1% per annum).

19. DUE TO CUSTOMERS

	Note	30 Qaws 1399 (20 Dec 2020)	30 Qaws 1398 (21 Dec 2019)
		----------- (Afs in '000') -----------	
Foreign currency:			
Current accounts		**78,361,259**	84,107,032
Dormant accounts	*19.2*	**93,095**	82,049
Margin against letters of credit	*19.4*	**5,453,009**	3,567,181
		83,907,363	87,756,262
Local currency:			
Current accounts		**60,332,477**	42,273,576
Dormant accounts	*19.2*	**66,701**	63,541
Margin against letters of credit	*19.4*	**16,728**	28,103
		60,415,906	42,365,220
	19.1, 19.3 & 19.5	**144,323,269**	130,121,482

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	Note	30 Qaws 1399 (20 Dec 2020)	30 Qaws 1398 (21 Dec 2019)
		----------- (Afs in '000') -----------	
19.1 Due to customers consist of:			
Government accounts		**116,223,883**	105,990,703
Others		**28,099,386**	24,130,779
		144,323,269	130,121,482

19.2 These are prior year's non-operative accounts of the customers of the Bank and non-operative accounts transferred by other commercial banks. According to Article 75 of the DAB Law of Afghanistan, all commercial banks are required to dispatch a notice to each dormant account holder at their registered address and publish a notice in at least one local newspaper mentioning the name and particular of the dormant account holder. If the dormant account holder cannot be located within 90 days after the notice and publication of details, these non-operative accounts are classified as dormant for 10 years and transferred to the Bank which are held in a special account. Thereafter, if any dormant account holder satisfactorily proves his / her ownership, the Bank will repay the amount immediately. If the dormant account holder does not claim back their deposit within the required period, the Bank transfers it to the Ministry of Finance (MoF) for inclusion in the revenues of the Government of the Islamic Republic of Afghanistan.

19.3 The Bank is not in compliance with Article 74 of the DAB law which requires the Bank to limit its foreign currency liabilities up to 50% of its unimpaired capital and reserves, which works out to be Afs.94,828.557 million as at 30 Qaws 1399 (20 December 2020). Foreign currency liabilities of the Bank as at the said date stand at Afs.142,305.073 million, resulting in foreign currency liabilities exceeding the prescribed limit by Afs. 47,476.515 million as at the year end.

19.4 These represent the deposits received by the Bank against issuance of letters of credit (LCs). The Bank issues LCs only to the government and governmental organisations against receipt of 100% deposit.

19.5 All these deposits are interest-free.

	Note	30 Qaws 1399 (20 Dec 2020)	30 Qaws 1398 (21 Dec 2019)
		----------- (Afs in '000') -----------	
20. IMF RELATED LIABILITIES			
Account 1	*20.1*	**86,983**	86,983
Account 2	*20.1*	**35**	36
Extended Credit Facility Loan 2016-19	*20.2*	**3,605,108**	2,916,581
		3,692,126	3,003,600

20.1 The Islamic Republic of Afghanistan is a member of International Monetary Fund (IMF) since 1955. The member country can designate Ministry of Finance (MoF), central bank or any other agency as their Fiscal Agent. In addition, each member is statutorily required to designate its central bank as Depository. The Government of the Islamic Republic of Afghanistan has nominated Ministry of Finance as their Fiscal Agent and the Bank as Depository.

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As the Depository for the Islamic Republic of Afghanistan, the Bank is required to maintain, in addition to other accounts, the following accounts:

Account 1 (Afghani)
Account 2 (Afghani)

IMF's holding of the member's currency is placed in IMF Account No 1 and Account No 2 in the Bank. The Bank is required to record balances in the IMF No.1 and No. 2 accounts as its liabilities. These balances, although maintained within the Bank, are owned by the IMF. The IMF Account No. 1 is used for the IMF's operational transactions whereas the IMF Account No. 2 is used for operational expenses incurred by the IMF in the member's currency.

20.2 As per arrangement between the Bank, IMF and MoF in 2016, IMF approved Special Drawing Rights (SDRs) amounting to 32.38 million concessional financial assistance under Extended Credit Facility (ECF) program, in support of a three-year macroeconomic and structural adjustment program. The Bank has withdrawn equivalent to SDR 32.38 million (1398: SDR 27 million). The ECF loans have 10 years maturity and are repayable in 10 equal semiannual installments starting after the 5th year of disbursement.

	Note	30 Qaws 1399 (20 Dec 2020)	30 Qaws 1398 (21 Dec 2019)
		(Afs in '000')	
20.3 Off-balance sheet balances			
Afghanistan's Quota in IMF	*20.3.1*	**36,051,083**	34,977,362
SDR Holdings	*20.3.1*	**4,142,392**	4,249,449
		40,193,475	39,226,810
Liabilities			
Securities issued to IMF	*20.3.1*	**33,695,501**	34,685,475
SDR Allocations	*20.3.2*	**17,292,302**	16,777,280
Extended Credit Facility Loan 2006-10	*20.3.2*	**-**	61,032
Extended Credit Facility Loan 2011-14	*20.3.2*	**668,025**	1,296,258
Extended Credit Facility Loan 2020-24	*20.3.2*	**9,012,771**	-
Rapid Credit Facility Loan 2020	*20.3.3*	**18,025,541**	-
		78,694,140	52,820,045

20.3.1 Government of Islamic Republic of Afghanistan has quota (SDR 323.8 million) in the IMF. This quota reflects the subscription in the IMF of respective members. The quota in the IMF is secured by the Ministry of Finance promissory note issued to the IMF and denominated in SDR. The Bank is the custodian of the promissory note. The differences are due to the evaluation of these positions at the SDR exchange rate.

The Ministry of Finance maintains an SDR-denominated current account with the IMF used for processing and settling all transactions with the IMF. This current account bears interest in the amount of the so-called IMF basic rate. In 1399, the basic rate ranged from 0.05% to 0.78% p.a. (1398: (1398: 0.76% to 1.15% p.a.). The SDR Holding balance amounted to SDR 37.206 million (1398: SDR 39.339 million).

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20.3.2 Total liability of the Islamic Republic of Afghanistan for the SDR allocation amounts to SDR 155.31 million (1398: SDR 155.31 million). According to the IMF's Articles of Agreement, the liability for the SDR allocation falls due only in the case and in the amount of the cancelled SDR allocation, which requires a decision of the Council of IMF Governors, with 85% majority of votes, or in the case of canceling the participation in the IMF's SDR Department.

As per the new arrangement between the IMF and MoF during the year (the program), IMF approved SDR 259.04 million ECF to Government of Islamic Republic of Afghanistan under the program. The MoF has withdrawn equivalent to SDR 80.95 million in addition outstanding ECF 2011-14 equivalent to SDR 6 million (1398: SDR 12 million). The repayment of ECF loans to IMF has been made using SDR Holdings account with the IMF.

20.3.3 The IMF approved an emergency assistance to Government of Islamic Republic of Afghanistan-MoF equivalent to SDR 161.90 million under Rapid Credit Facility (RCF) during the year, to mitigate the impact of Covid-19 pandemic on Afghanistan's economy and to boost critical health spending and rolling out social assistance to households hit hard by the pandemic. The RCF has 10 years maturity and are repayable in 10 equal semiannual installments starting after 5th year of disbursement.

21. DEFINED CONTRIBUTION OBLIGATION		**30 Qaws 1399 (20 Dec 2020)**	**30 Qaws 1398 (21 Dec 2019)**
		----------- (Afs in '000') -----------	
Defined contribution obligation	*21.1*	**1,909,843**	1,769,903

21.1 In 1395, the Bank introduced an unfunded contribution scheme and operates it for all of its permanent employees. Monthly contributions are made both by the Bank and the employees at 8% of employees' basic salary.

22. DEFERRED GRANTS

This represents grants received in kind from various donors in the form of information technology and power equipments for the purpose of supporting the government owned entities.

	Note	**30 Qaws 1399 (20 Dec 2020)**	**30 Qaws 1398 (21 Dec 2019)**
		----------- (Afs in '000') -----------	
Balance at the beginning of the year		**142,182**	249,061
Grants received during the year		**-**	12,365
		142,182	261,426
Less: Deferred grants recognised as income		**(59,084)**	(119,244)
Balance at the end of the year		**83,098**	142,182

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	Note	30 Qaws 1399 (20 Dec 2020)	30 Qaws 1398 (21 Dec 2019)
		----------- (Afs in '000') -----------	
23. PROVISIONS AND OTHER LIABILITIES			
Provision against MOU adjustments	*23.1*	**29,467**	29,467
Payable to Ministry of Finance	*23.2*	**-**	12,759,153
Payable in respect of defined contribution obligation	*23.3*	**195,904**	198,600
Security deposits	*23.4*	**497,640**	455,743
Sundry payables		**785,979**	781,246
Auditor's remuneration	*23.5*	**3,753**	3,763
Inter-branch accounts		**-**	185,332
Others		**88,144**	66,605
		1,600,887	14,479,909

23.1 The Bank has recognised this provision pending the conclusion of reconciliation process relating to the balances due from / to various ministries of the Government.

23.2 This represents payable to Ministry of Finance on account of profit of the Bank transferable under article 29 of the DAB Law.

	Note	30 Qaws 1399 (20 Dec 2020)	30 Qaws 1398 (21 Dec 2019)
		----------- (Afs in '000') -----------	
Opening balance as at beginning of the year		**12,759,153**	8,991,226
Transfer against profit for the year		**-**	27,757,086
Less: Payment on account of profit during the year		**(12,759,153)**	(23,989,159)
Balance as at end of the year		**-**	12,759,153

23.3 The Bank has discontinued its defined pension scheme with effect from Hamal 1395. The balance of defined benefit obligation is retained in the books of the Bank as a full reconciliation has not yet been finalized and is in process. Hence, the obligation will be transferred to defined contribution obligation on completion of reconciliation process.

23.4 This includes security deposits received from foreign exchange dealers and money service providers.

	Note	30 Qaws 1399 (20 Dec 2020)	30 Qaws 1398 (21 Dec 2019)
		----------- (Afs in '000') -----------	
23.5 Movement of Auditor's Remuneration			
Opening balance as at beginning of the year		**3,763**	6,160
Plus: Provision for current year		**3,753**	3,759
Less: Payment during the year		**(3,763)**	(6,156)
Balance as at end of the year		**3,753**	3,763

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24. CAPITAL AND RESERVES

24.1 Capital

According to Article 27 of the DAB Law, the authorised capital of the Bank is Afs 8,000 million or such higher amount as shall result form allocations from net profit pursuant to Article 29 of the DAB Law. Capital of the Bank is solely held by the Government of Islamic Republic of Afghanistan, and shall not subject to lien or encumbrances.

According to Article 29 of the DAB Law, if the Bank has a net profit for any financial year, it shall be allocated in the following order of priority:

a) To capital account of Da Afghanistan Bank (DAB) in such amount as shall be required to increase the authorized capital of the Bank to a level equivalent to five percent of the aggregate amount of monetary liabilities shown on the consolidated statement of financial position of the Bank for the end of that financial year;

b) To redeem the securities issued by the State to the Bank pursuant to Article 31 and held by the Bank;

c) To the General Reserve maintained by the Bank in such amount as shall be required to increase the amount of the General Reserve to a level equivalent to the amount of the authorized capital of the Bank; and

d) To any other reserve for specific purposes established by the Bank subject to the approval of Minister of Finance.

24.2 Revaluation reserve

The Bank's revaluation reserve represents the cumulative unrealised gains on revaluation of gold reserves at market prices, revaluation of freehold land at fair values and net unrealised valuation gains from available-for-sale financial assets at reporting date.

24.3 Residual undistributed net unrealised valuation gains

The Bank's residual undistributed net unrealised revaluation reserve is created under article 29 of the DAB Law. This represents the cumulative unrealised gains on the valuation of financial assets and liabilities at the closing exchange rate at the reporting date.

25. CONTINGENCIES AND COMMITMENTS

25.1 Contingencies

There are no outstanding financial guarantees and performance guarantees to third parties including the government.

	Note	30 Qaws 1399 (20 Dec 2020)	30 Qaws 1398 (21 Dec 2019)
		----------- (Afs in '000')	-----------
25.2 Commitments			
Outstanding letter of credits		**5,469,737**	3,595,284

26. INTEREST INCOME

	Note	30 Qaws 1399 (20 Dec 2020)	30 Qaws 1398 (21 Dec 2019)
Interest income on:			
Due from banks and financial institutions		**1,730,375**	5,609,306
Investments measured at FVOCI		**3,561,598**	3,820,267
Interest on LoLR	*11.1*	**3,361**	95,782
		5,295,334	9,525,355

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26.1 During the year, interest income has decreased significantly due to decrease in interest rates caused by COVID-19 pandemic. Further, for managing credit risk after COVID-19 pandemic, the Bank has liquidated some of its term deposits and placed these amounts in US treasury bills having lower credit risk resulting in lower interest income.

27. INTEREST EXPENSE

	Note	30 Qaws 1399 (20 Dec 2020)	30 Qaws 1398 (21 Dec 2019)
		(Afs in '000')	
Interest expense on:			
Capital notes	*17.2*	**655,167**	166,846
Overnight deposits	*18.3*	**7,271**	8,309
		662,438	175,155

27.1 During the year, interest expense on capital notes has significantly increased because carrying amount of capital notes has increased from Afs 24,780 million to Afs 45,840 million and average interest rates on these notes has increased by more than 100% .

28. NET (LOSS) / GAIN FROM DEALINGS IN FOREIGN CURRENCIES

	30 Qaws 1399 (20 Dec 2020)	30 Qaws 1398 (21 Dec 2019)
	(Afs in '000')	
	(124,167)	21,039,852

28.1 During the year, Afghani appreciated against foreign currencies including US dollars. As a result, the Bank incurred loss on sale of those foreign currencies which were purchased at higher rates in previous years.

29. OTHER INCOME

	Note	30 Qaws 1399 (20 Dec 2020)	30 Qaws 1398 (21 Dec 2019)
		(Afs in '000')	
Regulatory income		**91,001**	181,081
Unwinding of discount on LoLR	*11.2*	**-**	209,126
Recovery of expected credit loss	*36.1.2*	**249,424**	407,700
Write-back of inter-branch accounts	*29.1*	**190,931**	-
Others		**16,482**	9,725
		547,838	807,632

29.1 This represents the balances written back during the year as a result of the ongoing reconciliation process relating to the inter-branch accounts. These mainly include differences in opening balances of branches since 1383 which now have been charged to profit & loss.

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	Note	30 Qaws 1399 (20 Dec 2020)	30 Qaws 1398 (21 Dec 2019)
		(Afs in '000')	
30. PERSONNEL EXPENSES			
Salaries		**1,627,052**	1,600,662
Charge against defined contribution obligation		**111,098**	111,312
		1,738,150	1,711,974
31. OTHER OPERATING EXPENSES			
Repairs and maintenance		**42,490**	46,260
Rent		**7,796**	10,101
Auditor's remuneration		**3,753**	3,759
Consultancy fee		**60,264**	28,909
Staff training		**5,720**	14,962
Printing and stationery		**42,278**	31,439
Office supplies and maintenance		**16,146**	11,224
Transportation	*31.1*	**131,269**	149,568
Fee and subscription		**8,822**	5,116
Communication		**29,579**	37,101
Security services		**25,157**	9,814
Travelling		**12,815**	37,154
Write-off of inter-branch accounts		**-**	26,117
Financial assistance to AIBF	*31.2*	**23,000**	-
Utilities		**36,208**	37,862
Publications for public awareness		**4,215**	25,924
Others		**26,259**	40,116
		475,771	515,426

31.1 This includes foreign currency transportation cost amounting to Afs 110.072 million (1398: Afs 129.192 million) incurred during the year.

31.2 This represents financial assistance given to Afghanistan Institute of Banking and Finance (AIBF) by the Bank to meet its operational cost for financial year 2020.

	Note	30 Qaws 1399 (20 Dec 2020)	30 Qaws 1398 (21 Dec 2019)
		(Afs in '000')	
32. EXPENDITURE AGAINST GRANTS			
Depreciation	*13.2.4*	**44,347**	99,318
Amortisation		**14,737**	19,926
		59,084	119,244
33. CASH AND CASH EQUIVALENTS			
Foreign currency cash reserves	*8.1*	**34,167,341**	19,583,336
Deposits (having maturity of less than three months)		**114,583,173**	221,888,490
Current accounts with foreign banks	*9*	**29,408,353**	45,776,760
Overnight balances with foreign banks	*9*	**56,490,207**	8,734,962
Cash and bank balances held by the Subsidiary	*15*	**4,461**	1,849
		234,653,535	295,985,397

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34. RELATED PARTIES

Transactions with related parties

The Bank is a Government entity and the Government of Islamic Republic of Afghanistan is ultimate owner of the Bank. Related parties to the Bank include the Government of Islamic Republic of Afghanistan, various departments of the government and government controlled entities and enterprises. The Bank enters into transactions with related parties in its normal course of business and it is impracticable to disclose all transactions with related parties. Generally the Bank enters into the following transactions with the government and its related organizations.

(a) The Bank acts as a depository of the government or its agent, providing banking services to government, governmental organizations and enterprises;
(b) Issues letters of credit on behalf of government, governmental organisation and enterprises;
(c) The Bank does not ordinarily collect any commission, fees or other charges for the services which it renders to the government; and
(d) As an agent of the government, the bank manages foreign reserves.

Members of the Supreme Council

H.E Mr. Ajmal Ahmady, Acting Governor & Chairman of the Supreme Council
H.E Dr. Shah Mohammad Mehrabi, member of the Supreme Council and Chairman of the Audit Committee
H.E Dr. Muhammad Naim Azimi, member of the Supreme Council
H.E Dr. Abdul Wakil Muntazer, member of the Supreme Council
H.E Ms. Katrin Faqiri, member of the Supreme Council

Members of the Executive Board

H.E Mr. Ajmal Ahmady, Acting Governor & Chairman of Supreme Council

	30 Qaws 1399 (20 Dec 2020)	30 Qaws 1398 (21 Dec 2019)
Transactions with key management personnel	----------- (Afs in '000') -----------	
Key management personnel compensation		
Salary and other employee benefits	**10,885**	21,337

Compensation of the Bank's key management personnel includes salaries and benefits.

The transactions and outstanding balances related to key management personnel were as follows:

	Note	30 Qaws 1399 (20 Dec 2020)	30 Qaws 1398 (21 Dec 2019)
		----------- (Afs in '000') -----------	
Loans to key management personnel			
Loans outstanding as at beginning of the year		**16,792**	19,095
Loans advanced during the year		**1,000**	-
Loan repayments during the year		**(2,188)**	(2,303)
Loans outstanding as at end of the year		**15,604**	16,792
Other related party transactions			
Assistance as lender of last resort			
Repayments received during the year	11.1	**-**	7,100,000
Balance outstanding as at the year end	11.1	**170,154**	166,793
Advance for Afghanistan Deposit Insurance Corporation			
Balance outstanding as at the year end	12.2	**500,000**	500,000
Government accounts			
Opening outstanding balance		**105,990,703**	111,133,304
Deposits during the year		**1,088,055,772**	982,086,583
Payments during the year		**(1,077,822,592)**	(987,229,184)
Closing outstanding balance		**116,223,883**	105,990,703

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35. FINANCIAL ASSETS AND LIABILITIES

Classification of financial instrument and fair values

The table below sets out the Group's classification of each class of financial assets and liabilities.

	Note	Assets at fair value through profit or loss	Assets at Fair Value through OCI	Amortised cost	Total
		(Afs in '000')			
30 Qaws 1399 (20 December 2020)					
Financial Assets					
Foreign currency cash reserves	8	-	-	34,167,341	34,167,341
Due from banks and financial institutions	9	-	-	254,804,239	254,804,239
Investments	10	-	368,813,780	-	368,813,780
Assistance as lender of last resort	11	-	-	170,154	170,154
Advances and other receivables	12	-	-	1,715,346	1,715,346
Other assets	15	-	-	4,461	4,461
		-	368,813,780	290,861,541	659,675,321
Financial Liabilities					
Currency in circulation	16	-	-	293,341,380	293,341,380
Capital notes	17	-	-	45,849,384	45,849,384
Due from banks and financial institutions	18	-	-	100,079,198	100,079,198
Due to customers	19	-	-	144,323,269	144,323,269
IMF related liabilities	20	-	-	3,692,126	3,692,126
Defined contribution obligation	21	-	-	1,909,843	1,909,843
Provisions and other liabilities	23	-	-	1,567,667	1,567,667
		-	-	590,762,867	590,762,867
30 Qaws 1398 (21 December 2019)					
Financial Assets					
Foreign currency cash reserves	8	-	-	19,583,336	19,583,336
Due from banks and financial institutions	9	-	-	355,946,615	355,946,615
Investments	10	-	218,264,106	-	218,264,106
Assistance as lender of last resort	11	-	-	166,793	166,793
Advances and other receivables	12	-	-	1,103,394	1,103,394
Other assets	15	-	-	1,849	1,849
		-	218,264,106	376,801,987	595,066,093
Financial Liabilities					
Currency in circulation	16	-	-	259,348,259	259,348,259
Capital notes	17	-	-	24,775,173	24,775,173
Due from banks and financial institutions	18	-	-	97,224,024	97,224,024
Due to customers	19	-	-	130,121,482	130,121,482
IMF related liabilities	20	-	-	3,003,600	3,003,600
Defined contribution obligation	21	-	-	1,769,903	1,769,903
Provisions and other liabilities	23	-	-	14,261,347	14,261,347
		-	-	530,503,788	530,503,788

Fair value is the price that would be received from sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the consolidated statement of financial position date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value.

The table below sets out fair values of the Bank's financial assets and liabilities.

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DA AFGHANISTAN BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 QAWS 1399 (20 DECEMBER 2020)

		20 December 2020 30 Qaws 1399		21 December 2019 30 Qaws 1398	
	Note	Carrying amount	Fair value	Carrying amount	Fair value
		(Afs in '000')			
30 Qaws 1399 (20 December 2020)					
Financial Assets					
Foreign currency cash reserves	*8*	**34,167,341**	**34,167,341**	19,583,336	19,583,336
Due from banks and financial institutions	*9*	**254,804,239**	**254,804,239**	355,946,615	355,946,615
Investments	*10*	**368,813,780**	**368,813,780**	218,264,106	218,264,106
Assistance as lender of last resort	*11*	**170,154**	**170,154**	166,793	166,793
Advances and other receivables	*12*	**1,715,346**	**1,715,346**	1,103,394	1,103,394
Other assets	*15*	**4,461**	**4,461**	1,849	1,849
		659,675,321	**659,675,321**	595,066,093	595,066,093
Financial Liabilities					
Currency in circulation	*16*	**293,341,380**	**293,341,380**	259,348,259	259,348,259
Capital notes	*17*	**45,849,384**	**45,849,384**	24,775,173	24,775,173
Due from banks and financial institutions	*18*	**100,079,198**	**100,079,198**	97,224,024	97,224,024
Due to customers	*19*	**144,323,269**	**144,323,269**	130,121,482	130,121,482
IMF related liabilities	*20*	**3,692,126**	**3,692,126**	3,003,600	3,003,600
Defined contribution obligation	*21*	**1,909,843**	**1,909,843**	1,769,903	1,769,903
Provisions and other liabilities	*23*	**1,567,667**	**1,567,667**	14,261,347	14,261,347
		590,762,867	**590,762,867**	530,503,788	530,503,788

The following table shows financial instruments recognised at fair value, analysed between those whose fair value is based on:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Level 1	Level 2	Level 3	Total
	(Afs in '000')			
30 Qaws 1399 (20 December 2020)				
Due from banks and financial institutions	**-**	**254,677,074**	**-**	**254,677,074**
US treasury bonds and other securities	**187,120,796**	**-**	**-**	**187,120,796**
US treasury bonds	**4,149,044**	**-**	**-**	**4,149,044**
US Treasury Bills	**145,693,372**	**-**	**-**	**145,693,372**
Bank for International Settlements Investment Pool - A	**30,416,640**	**-**	**-**	**30,416,640**
Shares in ECOTDB	**-**	**-**	**1,433,928**	**1,433,928**
Assistance as lender of last resort	**-**	**-**	**170,154**	**170,154**
Advances and other receivables	**-**	**-**	**1,715,346**	**1,715,346**
Other assets	**-**	**-**	**4,461**	**4,461**
	367,379,852	**254,677,074**	**3,323,889**	**625,380,815**
30 Qaws 1398 (21 December 2019)				
Due from banks and financial institutions	-	355,570,353	-	355,570,353
US treasury bonds and other securities	182,929,450	-	-	182,929,450
US treasury bonds	4,075,418	-	-	4,075,418
Bank for International Settlements Investment Pool - A	29,825,310	-	-	29,825,310
Shares in ECOTDB	-	-	1,433,928	1,433,928
Assistance as lender of last resort	-	-	166,793	166,793
Advances and other receivables	-	-	1,103,394	1,103,394
Other assets	-	-	1,849	1,849
	216,830,178	355,570,353	2,705,964	575,106,495

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36. RISK MANAGEMENT POLICIES

The Supreme Council of the Group, chaired by the Governor, has the overall responsibility and oversight of the Group's risk management framework. The Group is primarily subject to credit, liquidity, market (interest and currency) risks and operational risk. The policies and procedures for managing these risks are outlined in notes 36.1 to 36.5. The Group has designed and implemented a framework of controls to identify, monitor and manage these risks. The senior management is responsible for advising the Governor on the monitoring and managing of these risks. In addition, International Monetary Fund (IMF) representatives visit the Bank periodically to advise senior management and the Governor on the management of these risks.

The Market Operations Department within the Bank is responsible for monitoring the Foreign Currency Reserves as per the Bank's Reserves Management Policy and Guidelines.

36.1 Credit risk management

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Group, resulting in a financial loss to the Group. The Group's primary exposure to credit risk arises through investment in government securities, deposits with banks and financial institutions and investments in FVOCI financial assets. Credit risk arising from deposit with banks and financial institutions is managed by monitoring, reviewing and analyzing these deposits frequently. Investments are made in government securities, securities issued by government entities and other highly reputable organizations; periodic monitoring and review is carried out by the management. The Group manages credit risk arising from issuance of letters of credit by obtaining 100% margin against letters of credit.

Concentration of credit risk

The Group's concentration of credit risk exposure is as follows:

	Note	30 Qaws 1399 (20 Dec 2020)	30 Qaws 1398 (21 Dec 2019)
		----------- (Afs in '000') -----------	
Due from banks and financial institutions	9	**254,804,239**	355,946,615
Investments	10	**368,813,780**	218,264,106
Assistance as lender of last resort	11	**170,154**	170,154
Advances and other receivables	12	**1,715,346**	1,103,394
Other assets	15	**4,461**	1,849
		625,507,980	575,486,118

The Group neither enters into nor is a party to financial instruments and contractual obligations that, under certain conditions, could give rise to or involve elements of, market or credit risk in excess of that shown in the consolidated statement of financial position, such as interest rate swaps, forward foreign exchange contracts, financial guarantees, and commitments to extend credit.

The analysis below summarises the credit quality of the Group's liquid portfolio as on 20 December 2020:

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Due from banks and term deposits rating by Rating Category

Short Term	Note	30 Qaws 1399 (20 Dec 2020)	30 Qaws 1398 (21 Dec 2019)
		(Afs in '000')	
A-1+		**29.28%**	14.85%
A-1		**36.53%**	8.91%
A-2		**17.02%**	44.57%
A-3		**16.83%**	25.65%
B		**0.00%**	0.25%
Unrated		**0.34%**	5.77%
		100.00%	100.00%

The Group monitors concentrations of credit risk by sector and geographic location.

The following table breaks down the Group's main credit exposure by geographical region. For this table, the Group has allocated exposures to the regions based on the country of domicile of counterparties.

	Due from banks and financial institutions	Investments	Advances and other receivables	Assistance as a LoLR	Total
			(Afs in '000')		
30 Qaws 1399 (20 December 2020)					
Afghanistan	**-**	**-**	**1,715,346**	**170,154**	**1,885,500**
Asia	**41,298,402**	**-**	**-**	**-**	**41,298,402**
Europe	**156,955,235**	**31,850,568**	**-**	**-**	**188,805,803**
America	**56,550,602**	**336,963,212**	**-**	**-**	**393,513,814**
	254,804,239	**368,813,780**	**1,715,346**	**170,154**	**625,503,519**
30 Qaws 1398 (21 December 2019)					
Afghanistan	-	-	1,103,394	166,793	1,270,187
Asia	98,259,614	-	-	-	98,259,614
Europe	161,122,031	31,259,238	-	-	192,381,269
America	96,564,970	187,004,867	-	-	283,569,837
	355,946,615	218,264,105	1,103,394	166,793	575,480,907

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36.1.1 Credit risk measurement

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. For risk management reporting purposes, the Group considers and consolidates loan size as an element of credit risk exposure. The Group measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

- A financial assets that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk (SICR) since initial recognition is identified, the financial assets is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial assets is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Assets in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward-looking information. The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- The remaining lifetime PD as at the reporting date; with
- The remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Group uses following criteria for determining whether there has been significant increase in credit risk:
- Quantitative test based on movement in PD; and
- Forbearance status.

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"Forbearance" occurs upon restructuring, i.e. prolongation in payment terms of payment of interest or principal arising from a deterioration of a borrower's financial condition such that it is not the same as it was at the time of loan origination and a borrower has applied for a change in the payment scheme of the loan. Restructuring only occurs when the appropriate division of the Group is reasonably confident that a borrower is able to service the renewed payment schedule.

Multiple economic scenarios form the basis of determining the PD at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different PD. It is the weighting of these different scenarios that forms the basis of a weighted average PD that is used to determine whether credit risk has significantly increased. Forward-looking information includes the future prospects of Afghanistan economy obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various internal and external sources of actual and forecast economic information.

Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Group considers the following as constituting an event of default:

The contract is past due more than 30 days; or
The credit obligations reflected in the contract is unlikely to be paid to the Group in full.

The definition of default is appropriately tailored to reflect different characteristics of different types of assets. When assessing if the borrower is unlikely to pay its credit obligation, the Group takes into account both qualitative and quantitative indicators. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Group uses a variety of sources of information to assess default which are either developed internally or obtained from external sources.

The following diagram summarizes the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

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36.1.2 Movement in Expected Credit Losses

The following table reconciles the expected credit losses allowance for the year ended 20 December 2020 by classes of financial instruments:

	Due from Banks and Financial Institutions	Investments	Advances and other receivables	Total
	Note 9.3	Note 10.6	Note 12.5	
		----------- (Afs in '000') -----------		
Opening balance as at 21 December 2018	-	-	150,731	150,731
Impact on initial recognition of IFRS 9	800,647	8,571	-	809,218
Balance as at 22 December 2018	**800,647**	**8,571**	**150,731**	**959,949**
Expected credit loss / (recovery)	(424,386)	(1,655)	18,341	(407,700)
Balance as at 21 December 2019	**376,261**	**6,916**	**169,072**	**552,249**
Expected credit loss / (recovery)	**(249,096)**	**290**	**(618)**	**(249,424)**
Balance as at 20 December 2020	**127,165**	**7,206**	**168,454**	**302,825**

36.1.2 Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD);
- Loss given default (LGD);
- Exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data.

Probability of default (PD)

The Group defines a financial instrument as in default when the financial asset is credit - impaired and meets one or more of the following criteria:

Quantitative criteria
The borrower is more than 90 days past due on its contractual payments are considered default by the Group.

Qualitative criteria

- a breach of contract, such as default or past due event;
- the lenders of the counterparty have granted a concession to the counterparty for economic or contractual reasons;
- relating to the counterparty's financial difficulty that the lender would not otherwise consider;
- the likelihood or probability that the counterparty will enter bankruptcy or other financial reorganization; or
- the dissolution of an active market for that financial asset due to financial difficulties.

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Credit rating and PD estimation process

The Group's PD estimation process is based on the

Internal rating description	12 month PD	External Rating
Performing		
High grade	-	Sovereign
High grade		AAA
High grade		AA+ to AA-
High grade		A+ to A-
Standard Grade		BBB+ to BBB-
Standard Grade		BB+ to BB-
Standard Grade		B+ to B-
Being below standard		CCC+ to CCC-
Being below standard		CC
Non performing	100%	

Exposure at default (EAD)

Exposure at default represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too. To calculate the EAD for a Stage 1 loan, the Group assesses the possible default events within 12 months for the calculation of the 12mECL. For Stage 2 and Stage 3 the exposure at default is considered for events over the lifetime of the instruments. The Group determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of Group's models.

Loss given default (LGD)

Loss given default represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support.

Significant increase in credit risk

The Group considers a financial asset to have experienced a significant increase in credit risk when:

- credit rating falls below investment grade in case of investments made in financial assets, or
- the contractual payments are 30 days past due.

Collateral and other credit enhancements

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees and demand promissory notes. The collaterals held against financials assets of the Group have been disclosed in their respective notes, where applicable.

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36.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. In order to reduce the level of liquidity risk arising out of the local currency activities, the Bank manages the daily liquidity position of the banking system including advancing and withdrawal of funds from the system for smoothening out daily peaks and troughs.

The table below analyse the Group's financial liabilities into relevant maturity groupings based on the remaining period at the consolidated statement of financial position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

The maturity profile of the Bank's liabilities based on contractual maturities is given below:

	Note	Gross nominal inflow / (outflow)	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Carrying amount
		(Afs in '000')						
30 Qaws 1399 (20 December 2020)								
Financial assets								
Foreign currency cash reserves	8	34,167,341	34,167,341	-	-	-	-	34,167,341
Due from banks and financial institutions	9	254,804,239	196,098,074	4,467,803	54,238,362	-	-	254,677,074
Investments	10	368,781,440	8,581,398	81,337,927	75,498,559	203,363,556	-	368,813,780
Assistance as lender of last resort	11	170,154	-	-	170,154	-	-	170,154
Advances and other receivables	12	1,715,346	21,018	42,036	174,029	638,137	840,126	1,715,346
Other assets	15	4,461	4,461	-	-	-	-	4,461
		659,642,981	238,872,292	85,847,766	130,081,104	204,001,693	840,126	659,548,156
Liabilities								
Currency in circulation	16	293,341,380	-	-	-	-	293,341,380	293,341,380
Capital notes	17	45,849,384	13,554,173	5,793,346	26,501,865	-	-	45,849,384
Due to banks and financial institutions	18	100,079,198	75,028,608	-	24,665,065	385,525	-	100,079,198
Due to customers	19	144,323,269	138,853,532	5,469,737	-	-	-	144,323,269
IMF related liabilities	20	3,692,126	3,692,126	-	-	-	-	3,692,126
Defined contribution obligation	21	1,909,843	1,909,843	-	-	-	-	1,909,843
Provisions and other liabilities	23	1,567,667	1,567,667	-	-	-	-	1,567,667
		590,762,867	234,605,949	11,263,083	51,166,930	385,525	293,341,380	590,762,867
Net liquidity gap		68,880,114	4,266,343	74,584,683	78,914,174	203,616,168	(292,501,254)	68,785,289

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	Note	Gross nominal inflow / (outflow)	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Carrying amount
		(Afs in '000')						
30 Qaws 1398 (21 December 2019)								
Financial assets								
Foreign currency cash reserves	8	19,583,336	19,583,336	-	-	-	-	19,583,336
Due from banks and financial institutions	9	355,946,615	144,892,961	132,167,199	78,886,455	-	-	355,570,353
Investments	10	218,264,106	-	-	380,138	217,883,968	-	218,264,106
Assistance as lender of last resort	11	166,793	-	-	166,793	-	-	166,793
Advances and other receivables	12	1,103,394	11,219	22,438	83,127	240,776	745,834	1,103,394
Other assets	15	1,849	1,849	-	-	-	-	1,849
		595,066,093	164,489,365	132,189,637	79,516,513	218,124,744	745,834	594,689,831
Liabilities								
Currency in circulation	16	259,348,259	-	-	-	-	259,348,259	259,348,259
Capital notes	17	24,775,173	6,533,217	8,282,550	9,959,406	-	-	24,775,173
Due to banks and financial institutions	18	97,224,024	73,897,466	-	22,934,516	392,042	-	97,224,024
Due to customers	19	130,121,482	126,526,198	3,595,284	-	-	-	130,121,482
IMF related liabilities	20	3,003,600	3,003,600	-	-	-	-	3,003,600
Defined contribution obligation	21	1,769,903	1,769,903	-	-	-	-	1,769,903
Provisions and other liabilities	23	14,265,110	14,265,110	-	-	-	-	14,265,110
		530,507,551	225,995,494	11,877,834	32,893,922	392,042	259,348,259	530,507,551
Net liquidity gap		64,558,542	(61,506,129)	120,311,803	46,622,591	217,732,702	(258,602,425)	64,182,280

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36.3 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. The Group is exposed to market risk, as a consequence of its operations to deliver its policy objectives as well as in the course of managing the Group's consolidated statement of financial position, principally through changes in the relative interest rates received on its assets and paid on its liabilities. Exposure may also be incurred to changes in exchange rates and to shifts in general market conditions, such as the liquidity of asset markets.

All market risk is managed within the Bank's Market Operations Department through Reserves Management Policy and Guidelines. The Group is exposed to interest rate risk principally via its investments in available for sale financial assets and short term deposits with other banks and financial institutions bought and held to maturity in normal circumstances with the intention of maintaining the value of the Group's capital and generating income to pay for the Group's policy functions.

36.4 Interest rate risk exposure

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's investments and short term deposits with other banks and financial institutions are primarily linked to prevailing market conditions. All other liabilities of the Group are non interest bearing except the capital notes and overnight deposits included in due to banks and financial institutions.

The Group does not have any material positions in off-balance-sheet instruments, whose value can be affected by interest rate changes, such as swaps, futures, and forwards; option contracts, such as caps, floors, and options on futures; and firm forward commitments to buy or sell loans, securities, or other financial instruments.

The table below summarises the Group's exposure to interest rate risks. Included in the table are the Group's financial assets and liabilities at carrying or revalued amounts, categorised by earlier of contractual reprising of maturity dates. Non interest bearing financial instruments are shown for reconciliation purposes.

	Note	Interest rates (p.a)	Interest bearing					Non-interest bearing	Total
			Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Total		
			(Afs in '000')						
30 Qaws 1399 (20 December 2020)									
Financial assets									
Foreign currency cash reserves	8	-	-	-	-	-	-	34,167,341	34,167,341
Due from banks and financial institutions	9	-0.67 - 0.65%	166,689,721	4,467,803	54,238,362	-	225,395,886	29,408,353	254,804,239
Investments	10	0.06 - 3.35%	8,581,398	81,337,927	75,498,559	171,512,988	336,930,872	31,850,568	368,781,440
Assistance as lender of last resort	11	-	-	-	-	-	-	170,154	170,154
Advances and other receivables	12	-	-	-	-	-	-	1,715,346	1,715,346
Other assets	15	-	-	-	-	-	-	4,461	4,461
			175,271,119	85,805,730	129,736,921	171,512,988	562,326,758	97,316,223	659,642,981

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30 Qaws 1399 (20 December 2020)	Note	Interest rates (p.a)	Interest bearing: Up to 1 month	Interest bearing: 1 to 3 months	Interest bearing: 3 to 12 months	Interest bearing: 1 to 5 years	Interest bearing: Total	Non-interest bearing	Total
			(Afs in '000')						
Financial liabilities									
Currency in circulation	16	-	-	-	-	-	-	293,341,380	293,341,380
Capital notes	17	0.79 - 3.80%	13,554,173	5,793,346	26,501,865	-	45,849,384	-	45,849,384
Due to banks and financial institutions	18	0.1%	9,927,375	-	-	-	9,927,375	90,151,823	100,079,198
Due to customers	19	-	-	-	-	-	-	144,323,269	144,323,269
IMF related liabilities	20	-	-	-	-	-	-	3,692,126	3,692,126
Defined contribution obligation	21	-	-	-	-	-	-	1,909,843	1,909,843
Provisions and other liabilities	23	-	-	-	-	-	-	1,567,667	1,567,667
			23,481,548	5,793,346	26,501,865	-	55,776,759	534,986,108	590,762,867
On balance sheet interest sensitivity gap			151,789,571	80,012,384	103,235,056	171,512,988	506,549,999	(437,669,885)	68,880,114

	Note	Interest rates (p.a)	Interest bearing: Up to 1 month	Interest bearing: 1 to 3 months	Interest bearing: 3 to 12 months	Interest bearing: 1 to 5 years	Interest bearing: Total	Non-interest bearing	Total
			(Afs in '000)						
30 Qaws 1398 (21 December 2019)									
Financial assets									
Foreign currency cash reserves	8	-	-	-	-	-	-	19,583,336	19,583,336
Due from banks and financial institutions	9	-0.04 - 2.95%	99,116,201	132,167,199	78,886,455	-	310,169,855	45,776,760	355,946,615
Investments	10	1.38 - 3.13%	-	-	380,138	186,624,730	187,004,868	31,259,238	218,264,106
Assistance as lender of last resort	11	2%	-	-	166,793	-	166,793	-	166,793
Advances and other receivables	12	-	-	-	-	-	-	1,103,394	1,103,394
Other assets	15	-	-	-	-	-	-	1,849	1,849
			99,116,201	132,167,199	79,433,386	186,624,730	497,341,516	97,724,577	595,066,093
Financial liabilities									
Currency in circulation	16	-	-	-	-	-	-	259,348,259	259,348,259
Capital notes	17	0.15 - 2.20%	6,533,217	8,282,550	9,959,406	-	24,775,173	-	24,775,173
Due to banks and financial institutions	18	0.1%	14,569,822	-	-	-	14,569,822	82,654,202	97,224,024
Due to customers	19	-	-	-	-	-	-	130,121,482	130,121,482
IMF related liabilities	20	-	-	-	-	-	-	3,003,600	3,003,600
Defined contribution obligation	21	-	-	-	-	-	-	1,769,903	1,769,903
Provisions and other liabilities	23	-	-	-	-	-	-	14,265,110	14,265,110
			21,103,039	8,282,550	9,959,406	-	39,344,995	491,162,556	530,507,551
On balance sheet interest sensitivity gap			78,013,162	123,884,649	69,473,980	186,624,730	457,996,521	(393,437,979)	64,558,542

If the interest rate increase / decrease by 100 bps, the effect on profit for the year would have been Afs.5,065.499 million (1398: Afs.4,579.965 million) higher / lower respectively.

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36.5 Currency risk

Currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. Foreign currency activities result mainly from the Bank's holding of foreign currency assets under its foreign reserve management function. The overall level of these assets is determined based on the prevailing extent of credit and liquidity risks. In order to avoid losses arising from adverse changes in the rates of exchange, the Bank's compliance with the limits established for foreign currency positions is required to be monitored by the management. The Bank has not entered in to any foreign currency hedging transaction as at year end.

The Bank's exposure to foreign currency risk is as follow:

	Note	USD	Euro	GBP	PKR	AED	Others	Afs	Total
		(Afs in '000')							
30 Qaws 1399 (20 December 2020)									
Financial assets									
Foreign currency cash reserves	8	32,967,164	1,076,948	6,363	144	2,092	114,630	-	34,167,341
Due from banks and financial institutions	9	145,125,469	52,385,389	54,712,055	853,509	1,727,817	-	-	254,804,239
Investments	10	367,379,852	-	-	-		1,433,928	-	368,813,780
Assistance as lender of last resort	11	-	-	-	-		-	170,154	170,154
Advances and other receivables	12	-	-	-	-		-	1,715,346	1,715,346
Other assets	15	-	-	-	-		-	4,461	4,461
		545,472,485	53,462,337	54,718,418	853,653	1,729,909	1,548,558	1,889,961	659,675,321
Financial liabilities									
Currency in circulation	16	-	-	-	-			293,341,380	293,341,380
Capital notes	17	-	-	-	-			45,849,384	45,849,384
Due to banks and financial institutions	18	45,917,309	8,496,545	177,046	753		-	45,487,545	100,079,198
Due to customers	19	79,810,670	1,499,406	1,125	10,762	-	2,585,400	60,415,906	144,323,269
IMF related liabilities	20	-	-	-	-		3,605,108	87,018	3,692,126
Defined contribution obligation	21	-	-	-	-		-	1,909,843	1,909,843
Provisions and other liabilities	23	117,480	-	-	-		-	1,450,187	1,567,667
		125,845,459	9,995,951	178,171	11,515	-	6,190,508	448,541,263	590,762,867
Net foreign currency exposure		419,627,026	43,466,386	54,540,247	842,138	1,729,909	(4,641,950)	(446,651,302)	68,912,454

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	Note	USD	Euro	GBP	PKR	AED	Others	Afs	Total
		(Afs in '000')							
30 Qaws 1398 (21 December 2019)									
Financial assets									
Foreign currency cash reserves	8	19,092,139	365,347	6,296	151	2,136	117,267	-	19,583,336
Due from banks and financial institutions	9	250,218,549	49,455,971	53,938,565	880,667	1,452,863	-	-	355,946,615
Investments	10	216,830,178	-	-	-	-	1,433,928	-	218,264,106
Assistance as lender of last resort	11	-	-	-	-	-	-	166,793	166,793
Advances and other receivables	12	-	-	-	-	-	-	1,103,394	1,103,394
Other assets	15	-	-	-	-	-	-	1,849	1,849
		486,140,866	49,821,318	53,944,861	880,818	1,454,999	1,551,195	1,272,036	595,066,093
Financial liabilities									
Currency in circulation	16	-	-	-	-	-	-	259,348,259	259,348,259
Capital notes	17	-	-	-	-	-	-	24,775,173	24,775,173
Due to banks and financial institutions	18	38,273,368	8,959,923	175,174	788	-	-	49,814,771	97,224,024
Due to customers	19	84,536,721	3,198,626	4,556	10,977	-	5,382	42,365,220	130,121,482
IMF related liabilities	20	-	-	-	-	-	2,916,581	87,019	3,003,600
Defined contribution obligation	21	-	-	-	-	-	-	1,769,903	1,769,903
Provisions and other liabilities	23	105,517	-	-	-	-	-	14,159,593	14,265,110
		122,915,606	12,158,549	179,730	11,765	-	2,921,963	392,319,938	530,507,551
Net foreign currency exposure		363,225,260	37,662,769	53,765,131	869,053	1,454,999	(1,370,768)	(391,047,902)	64,558,542

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36.5.1 Sensitivity analysis on foreign currency financial assets and liabilities

A 1% increase in the exchange rates of USD, Euro, GBP, PKR and AED at 20 December 2020 would have increased / (decreased) equity and profit by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Bank considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	USD	Euro	GBP	PKR	AED	Others	Afs	Total
				(Afs in '000')				
30 Qaws 1399 (20 December 2020)								
Effect of 1% increase in exchange rate								
Financial assets								
Foreign currency cash reserves	329,672	10,769	64	1	21	1,146	-	341,673
Due from banks and financial institutions	1,451,255	523,854	547,121	8,535	17,278	-	-	2,548,043
Investments	3,673,799	-	-	-	-	14,339	-	3,688,138
Assistance as lender of last resort	-	-	-	-	-	-	-	-
Advances and other receivables	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-
	5,454,726	534,623	547,185	8,536	17,299	15,485	-	6,577,854
Financial liabilities								
Due to banks and financial institutions	(459,173)	(84,965)	(1,770)	(8)	-	-	-	(545,916)
Due to customers	(798,107)	(14,994)	(11)	(108)	-	(25,854)	-	(839,074)
IMF related liabilities	-	-	-	-	-	(36,051)	-	(36,051)
Defined contribution obligation	-	-	-	-	-	-	-	-
Provisions and other liabilities	(1,175)	-	-	-	-	-	-	(1,175)
	(1,258,455)	(99,959)	(1,781)	(116)	-	(61,905)	-	(1,422,216)
Effect on Equity / Profit	4,196,271	434,664	545,404	8,420	17,299	(46,420)	-	5,155,638

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	USD	Euro	GBP	PKR	AED	Others	Afs	Total
	(Afs in '000')							
30 Qaws 1398 (21 December 2019)								
Effect of 1% increase in exchange rate								
Financial assets								
Foreign currency cash reserves	190,921	3,653	63	2	21	1,173	-	195,833
Due from banks and financial institutions	2,502,185	494,560	539,386	8,807	-	-	-	3,544,938
Investments	2,168,302	-	-	-	-	14,339	-	2,182,641
Assistance as lender of last resort	-	-	-	-	-	-	-	-
Advances and other receivables	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-
	4,861,408	498,213	539,449	8,809	21	15,512	-	5,923,412
Financial liabilities								
Due to banks and financial institutions	(382,734)	(89,599)	(1,752)	(8)	-	-	-	(474,093)
Due to customers	(845,367)	(31,986)	(46)	(110)	-	(54)	-	(877,563)
IMF related liabilities	-	-	-	-	-	(29,166)	-	(29,166)
Defined contribution obligation	-	-	-	-	-	-	-	-
Provisions and other liabilities	(1,055)	-	-	-	-	-	-	(1,055)
	(1,229,156)	(121,585)	(1,798)	(118)	-	(29,220)	-	(1,381,877)
Effect on Equity / Profit	3,632,252	376,628	537,651	8,691	21	(13,708)	-	4,541,535

36.5.2 Effect of 1% decrease in exchange rates will have same effect on net unrealised gains / (losses) for both years but in opposite direction.

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37. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Supreme Council of the Group on 14 March 2021.

38. EVENTS AFTER THE REPORTING DATE

Subsequent to the statement of financial position date, no events have occurred which require adjustments to/or disclose in the financial statements.

39. GENERAL

Figures have been rounded off to the nearest thousand, except as otherwise mentioned.

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Abdul Rahman Barhaq
Acting Chief Financial Officer

Ajmal Ahmady
Acting Governor